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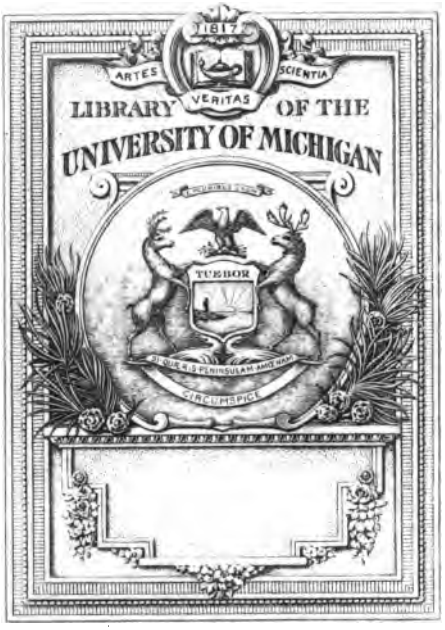
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WISCONSIN STATE BOARD OF PUBLIC AFFAIRS.

THE BUDGET

S. GALE LOWRIE

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FOREWORD

The subject of a state budget has been before the Wisconsin legislature for many years and has been the subject of much debate and much misunderstanding.

It is the duty of the Board of Public Affairs to formulate a financial policy for the state. The Board found at once that no such policy could be formulated unless a scientific examination of the budget plans used in different states and countries were made.

It is strange that so little is known in America about such an important matter. Our budget practice in the different states was originally taken from England. There the responsible ministry makes the budget and the legislature cannot raise the items. When this form of budget was applied to the American states, it was thought by those who first applied it that it would mean a reduction in expenses. They were greatly surprised to find that the opposite was nearly always the case. There being no responsible government to keep the items reduced, to form a financial program or to form a scientific balancing of expenditure and income, the great budget bills of the legislatures were covered with riders and so by log-rolling the total bulk of the appropriations was increased. Evidently after a while this fact was discovered and then it was proposed that the governor be given the right to veto items of appropriation bills. This device, unknown and unnecessary in England, was advocated as the great necessary remedy of all the ills of the system. It failed, however, because of the fact that the legislature passed all appropriations and put the responsibility of reducing them upon the governor and because of the fact that the governor at once seized the opportunity to assume an irresponsible power. In the absence of an affirmation by him the practice grew up in some of the states of the governor cutting

down the amounts instead of vetoing the items. He could thus play politics with the whole thing and help out his political friends and hurt his enemies.

The fact that the budget had to be passed every two years also allowed lobbyists around the different legislatures to hold up the appropriations of certain departments. Instead of a majority of the legislature determining what an appropriation should be a minority of perhaps a minority of one house held up the appropriations and dictated what should be done by the different departments. Under these conditions civil service was simply impossible. As in England the body who controlled the appropriation became the powerful body. The American lobbyist and political gangster controlling the appropriations by this minority formulation of the budget, became the real power in the American state governments. For the first time Mr. Lowrie in this investigation has shown these facts. It was necessary to go into them deeply in order that we should not make the mistake of recommending a defective budget system to the state of Wisconsin. There is hardly any literature upon this subject of any worth whatsoever. In fact, it may be said that there is no available information relating to the experiences of state governments with the budget system which could be of any service to the Board in formulating a good economical and workable financial plan for our state.

STATE BOARD OF PUBLIC AFFAIRS.

INTRODUCTION

The effective control of public expenditures is a question of paramount importance. No little alarm has been expressed because of the rapid increase in the cost of our government. Municipal, state and federal appropriations have indicated a marked tendency to rise and as each succeeding year shows no curtailment, but rather a more rapid advance, it is but natural that there should be indications of discontent and uneasiness upon the part of the taxpayers. The period from 1890 to 1900 showed an advance in federal expenditure of nearly forty-five per cent, while the last decade saw this figure still growing at the rate of some fifty-seven per cent. State expenses in Wisconsin rose at the rate of seventy-seven per cent for this first period and during the last decade have advanced 136 per cent. Municipal expenditures have manifested a similar tendency to increase. Our total public outlay has reached an unprecedented figure. The complaint has been country-wide and viewing the states together we have seen one administration after another elected, frequently on specific platforms of retrenchments, yet scarcely a halt in the rise of public expenditures has been perceptible. New parties and new officials have gone with promises of curtailed expenditures unfulfilled.

Two suggestions present themselves as possible causes for this rapid advance. The first is the obvious one that the conduct of public business has failed to follow the course marked out by private enterprise and to apply adequate business methods to the tasks in hand; the second, that the field of official activities so developed during these periods that no adequate comparisons of the scope of governmental functions for any extended period may be made. That there is merit in this last position, no one will deny. From a position of individualism and *laissez faire*

we have developed a policy of collectivism and we have undertaken the regulation of business and professions which formerly were unrestrained. There has been a constant readjustment of governmental activities and the centralization of administrative functions has placed in state and federal control what was formerly of but local concern. The increased duties of the taxation and health departments illustrate this movement and show a cause for marked growth in the cost of these departments.

It is not alone, however, the transfer of governmental functions which has caused the marked increase in the cost of government. More reasonable explanations lie in the consideration of the new activities which have been undertaken. This extended field has been most apparent in our municipal affairs, where the public ownership of utilities has reached some proportion. While there has been no slight increase in city expenditures, this growth has not been without a corresponding advantage to the taxpayer. He is supplied with paved and lighted streets and sidewalks, gas, sewer, and electric light service is at his disposal, and parks, libraries and educational facilities are made available. If these services were formerly within his reach they were secured at a private expense now no longer necessary. The increase in taxes is offset by a corresponding saving in private expenditure. Often there is thus secured services which, except for governmental initiative, would be beyond his reach and with which social welfare demands that he be supplied. Our state governments also show an increasing tendency to transfer social costs from individual to public account. Education and the diffusion of knowledge, health and sanitation, the protection of life and property, charities and corrections, and recreation all call for increased appropriations but at the same time supply services either not before within the reach of the individual or which were only supplied at a considerable private expense.

The regulation of business and professions has also added items before unknown to our accounts. Combinations and larger corporations have brought about social savings and economies. At the same time, the very existence of these new enterprises has demanded governmental supervision and control which has entailed no little burden upon the public treasury. New conceptions have arisen as to the duty of the state respect-

public health, sanitation and the care of unfortunates and again we find legitimate demands for aid.[1]

The most economical government is not that which costs least, but that which administers affairs with the greatest efficiency. The questions most pertinent to our inquiry are, then: What functions has the government undertaken? What is the cost of performing each one and how efficiently is it being done? The determination of these questions involves the three-fold work of accounting, auditing, and the preparation of the budget. The purpose of public accounts is to register under proper headings and classifications the pecuniary transactions of the government and to exhibit a true statement of all business dealings indicating debts, credits and the purposes of all expenditures. An audit is an examination of records with a view to ascertaining with what accuracy and honesty the public accounts have been kept. The audit looks toward the past and endeavors to recite the fiscal history of the period under consideration. The budget looks toward the future and comprehends a general view of the finances of the country and the proposed receipts and expenditures for the ensuing fiscal period, it is the financial plan of the government. LEROY-BEAULIEU says: "A budget is an act forecasting the receipts and expenses for a terminable period. It is a table for evaluating and comparing the income to be realized with the expenditures to be made."[2] All of these agencies, accounting, auditing and the preparation of the budget work toward publicity and it is only through the fullest publicity in public finance that anything like an adequate public control over expenditures may be maintained.

Public economy does not necessarily mean the lessening of expenditures. Retrenchments to-day may mean vastly greater bur-

[1] "So well established is the general fact of increasing outlay that even conservative writers on finance, such as ROSCHER and UMPFENBACH, lay it down as a general law of progress, and they explain it by reference to the increasing demands made by society on the modern state. 'What judgment should we pass,' asks the former, 'on a government that, after the manner of the Middle Ages, did not trouble itself about the health, mental training, maintenance or enriching of the people?' And so far there is no doubt that the intensifying of state duties is one cause of the almost universal increase." *Parliamentary Procedure*, BOURINOT, p. 135.

[2] LEROY-BEAULIEU, *Science des Finance*, p. 2.

dens to-morrow, or the neglect of important public service. Popular government cannot exist in any true sense unless there is actual control by the electorate over the agencies of government and actual control is impossible in fiscal affairs unless we have installed in all departments of government methods which will permit a full insight into the work of every governmental activity. Then only, may we judge whether the benefits derived from each of the activities are commensurate with the cost of the service. An examination of the effectiveness of previous grants enables us to determine the advisability of further appropriations and the comparison of the various requirements and of the anticipated income of the state enables us to establish a true and proper course in our fiscal policy.[3]

---

[3] "The usual failure of political changes to effect economies in state expenditures is well illustrated in the state of New York. The amounts covered by the annual appropriation bills for each of the last five years were:

1907	$20,115,132
1908	20,842,674
1909	22,695,870
1910	25,348,559
1911	26,184,186

The total amount of appropriations payable from the general fund of the state for the same period were:

1907	$34,891,919
1908	35,934,116
1909	36,591,571
1910	42,975,451
1911	43,074,193

In the election of 1910 there was a complete change in the political government of the state following charges of extravagance in the conduct of state affairs, yet the increased cost of government during the first year of the new regime was scarcely slackened. So far as the fiscal aspects are concerned, all this seems to bear out the statement of Governor Hughes that 'nine-tenths of the administration of government has nothing in it of any legitimate partisan consequence.'" (Information furnished by MR. C. B. LESTER, New York Legislative Reference Library).

CHAPTER 1.

THE PREPARATION OF THE ESTIMATES AND THE VOTE ON THE BUDGET

ESSENTIALS OF A BUDGET.

The first essential in the preparation of any budgetary plan for legislative consideration is the compilation of estimated costs for the fiscal period under consideration. These estimates should, as a rule, be prepared by the administrative departments because they are versed in the details of their respective offices, and familiar with the expenses which may occur in the performance of their duties. Consequently, the first step in the making of a budget should be the preparation and submission of estimates by the various departments and institutions of the state. These estimates should be submitted to a central body. These data must then be assembled and distributed over schedules so as to give the estimated revenues and expenditures for the state as a unit.

An essential element in budgetary consideration involves the formulation of a plan in fiscal affairs. It is well to have this prepared early, so that it may be presented to the legislature at the beginning of the session. It should comprehend the fiscal program for the ensuing biennium and should exhibit at the same time the amount of revenues to be raised in accordance with the plan and the sources from which these funds are to be drawn. There should be a budget balance—a correlation between the estimated revenues and expenditures of the state. These should be exhibited so that their relative amounts may be examined and a comparison made between them. Not only is it necessary to se-

cure a comparison between the total expenditures and revenue of the state, but a comparison should be possible between the various purposes of expenditures, so that it may easily be determined how much it is proposed to grant for one object in comparison with the amount available for another service. This necessitates the formulation of a plan and the recommendation of some centralized body as to what should be a proper fiscal program for the state. As STOURM says, the budget should give not one total but *all* of the receipts and disbursements, so that a comparison may be easily made at a glance between the various items.[1]

ADAMS points out that the budget must be introduced as a comprehensive document in order that the general conditions of the nation's finances may be known, and a rational opinion upon any particular proposal respecting either income or expenditure may be entertained. He suggests that it is necessary that a budget statement begin by an exhibit on a single page of the aggregate or actual receipts and expenditures for the past year, and the estimated or actual receipts and expenditures for the current year, in order that they may be compared with the receipts and expenditures to be provided for by laws yet to be enacted. He conceives of a budget so formulated as the principal means by which the administration is held in check and the general policy of government controlled.[2]

The estimates so prepared must be submitted to the legislature to be made into law. They will then be subjected to modifications in accordance with the ideas expressed in the bills of the various members. This is a detail not met with in parliamentary countries, inasmuch as the government is held responsible for formulating the fiscal program, and the rights of individual members are usually limited to criticism and suggestion of certain reductions. In our country, however, where we do not have centralized responsibility, it is important that we preserve the rights of individual members to modify the estimates so submitted. Consequently, the estimates of the board, together with those modifications suggested by the members, must be revamped by a legislative committee. It is important that all possible information be presented to all members of the legislature when

[1] *Revue des Deux Mondes*, January 15, 1885.
[2] H. C. ADAMS, *The Science of Finance*, page 142.

they come to vote upon the appropriation bill. They should know not only where all the appropriations which they are voting go and their purpose, but also what other sources of revenue are at the disposal of the various departments or institutions to which grants are made. There must be a correlation between revenue and expenditures, and between the various items of expenditures, and this information should be in the hands of the legislator with respect to every project upon which he is expected to give an opinion. Finally, a proper budgetary system involves an audit of all fiscal accounts, in order to determine with what economy previous appropriations have been spent. The preparation of the estimates, their authorization by law, and their audit comprise the cycle to be found in every efficient budgetary system.

PRESENT METHOD IN WISCONSIN.

The practice of voting appropriations as it exists at present in Wisconsin is lacking in many of these essentials. With respect to the preparation of the estimates, very little has been done. It is true the departments make biennial reports respecting their various activities and usually include an estimate of their needs for the next fiscal period. The governor's message, which is presented to the legislature at the opening of the session, usually exhibits the condition of the treasury and outlines more or less generally a fiscal program for legislative consideration. The statutes contemplate that the secretary of state will submit to the legislature information upon which an adequate budget may be formulated. These data are entirely too meager to serve any important purpose. The biennial report of the secretary of state as auditor is available by the time the legislature convenes but the data are not here contained in a form to be of great use to the legislature, and the report consists chiefly of a list of warrants showing what persons have received payments for services or supplies during the fiscal years just closed.

In addition to this the secretary of state submits to the legislature, in compliance with law, estimates of expenditures required for the next two years. But inasmuch as these data have not been secured from the various departments, they have little value as an estimate of future needs. They are usually based upon the amounts previously appropriated for similar services,

modified at times by the opinion of the secretary of state as to the desirability of continuing certain of these appropriations. Since this report is prepared upon the calendar year as a basis, it is entirely impossible to draw any comparisons between the estimates so submitted and the expenditures as exhibited in the official report. During the session of 1911 a great advance was made in the preparation of estimates when the finance committee submitted uniform blanks to the various departments, asking them to specify thereon their needs for the ensuing biennial period. This information was received at so late a date, however, that its value was greatly lessened and it was not made available generally for the use of the members of the legislature.

With respect to the presentation of bills, the program for the finance measures does not differ from that followed for other projects of legislation, and it is frequently the case that a number of bills are introduced for a single service, quite often duplicate bills being presented in the house and senate. When introduced, the bills are referred to the committee dealing with the subject matter mentioned in the measure, and when this committee reports thereon, the bill is referred to the joint committee on finance, which marshals all appropriations contained in the measures thus submitted to them and formulates their recommendations with respect to the fiscal affairs of the state. The real budget is prepared in this joint committee of finance. Here it is possible to determine what the total expenditures authorized may be and to get a crude comparison between them and the estimated revenue of the state. Last year the finance committee employed experts to aid them in the preparation of their accounts, and the work of the committee was greatly aided in this way. It is usual for the committee to present to the legislature printed reports showing the condition of the finance bills in their hands, and the amounts they carry. Bills are reported out one by one and come to a separate vote, and receive the same consideration as other measures, the only special provision with respect to them being the constitutional requirement that three-fifths of the members elected to each house must be present when the final vote is taken and that the yeas and nays must be recorded.

With respect to the audit of state and departmental accounts no uniform system has yet been adopted, but it has been customary by special arrangement to employ auditors to examine dif-

ferent state services. In this way the accounts of the normal schools, the board of control and the university have been examined. Many departments of the state, however, have never been subjected to any audit.

The weakness of the plan in operation lies first in the fact that the statutes authorizing appropriations are very indefinite, so that it is almost impossible to tell what appropriations are authorized for the various departments. Not only is it almost impossible to determine what statutes make grants for various services, but even when statutes have been found, it is difficult to tell whether or not these laws actually authorize appropriations and how much is granted by them.

By virtue of a section of the statutes [3] which allows the secretary of state and the state treasurer to pay for all services authorized by law, it is quite frequent that a statute allowing the employment of a person, specifying traveling expenses, or the incurment of other liability, will be considered an appropriation. The amount carried by these grants is indefinite and comprises many contingent items, so that it is impossible to reduce the state appropriations to a mathematical basis.

There is, moreover, general lack of uniformity with respect to our fiscal policy, some departments receiving appropriations of one kind and others being supported by appropriations of quite a different nature. This is the result of no concerted policy, but follows as a result of a negligence and lack of planning with respect to our fiscal affairs.

A most serious criticism should be directed toward the fact that too little information is available for the legislature in its consideration of the fiscal plan and that no system is in use which will centralize the responsibility for making use of financial programs or of administering them. Bills are often introduced entirely unofficially and it is impossible to determine whether or not they represent the real needs of the state services. The only examination given them is a hurried study by the joint committee of finance during the pressure of the session. Any information here developed is usually mastered only by the chairman of the committee, consequently, it is impossible to give these matters the scrutiny and care which they deserve. Anything like the proper budgetary control is impossible. The

[3] Revised Statutes, §172.

essential thing in a budget is an examination of a fiscal plan which has been prepared by responsible bodies and presented for approval. This plan must involve a comparison between receipts and expenditures and between the various items of expenditures. This is not found at all under the present Wisconsin system. The vote on measures is taken quite individually and the only possible question which a member can raise with respect to a proposed grant is whether or not the service is worth the money it is proposed to expend upon it. The more important questions, first whether the sum total of proposed expenditure will exceed the expected revenue, or second whether the amount of money it is proposed to use in this way could be more advantageously used for some other purpose, cannot be answered at all. Not only is our present system of auditing accounts entirely unsatisfactory, but no plan has yet been devised whereby the audits can be used as the basis of future estimates, so that ill-advised expenditures of one year will not be repeated in succeeding periods.

The situation in Wisconsin is far superior to that found in many other states, but it still falls far short of what is expected of an adequate budget system.

Unfortunately, there has not yet been devised an adequate system of budgetary control under our federal form of government. There is a separation of powers between the executive and legislative branches and the legislative power is divided between two houses. The preparation and vote on the budget is first, an administrative, and secondly, a legislative function and it is particularly essential that there be coöperation between these different departments of government. There is one reason why the American plan of government has so singularly failed with respect to fiscal legislation. Nevertheless, under our system of government, much can be done in simplifying our procedure, presenting a fuller amount of information and making possible a more intelligent consideration of fiscal affairs. The outline of such a plan will next be considered.

THE PREPARATION OF THE ESTIMATE.

Any budget plan, to be adequate, must begin with the estimates. These should be required from each department well before the opening of the session of the legislature. This step

has already been taken in Wisconsin, and the law creating the Board of Public Affairs, (chapter 583, laws of 1911), provides in section 16—2: "Thirty days before the assembling of the legislature every public body and institution, the operation of which involves the receipt and expenditure or handling of any state funds or property, shall submit to the board an estimate of their resources and expenditures for each fiscal year of the ensuing biennial period." The date provided in this law will probably return the estimates at too late a period for practical work, but this is a detail which can easily be adjusted as experience warrants. The estimates should be submitted in accordance with a uniform plan and should be made to fit the accounting system now being prepared for installation in the departments. These accounts should be of such a nature as to permit a comparison between the various items and expenses in different departments and between the items and expenses in a single department for different years.

In order to encourage uniformity and as a labor-saving device, blank forms should be prepared and submitted to the departments for these estimates as is done in some cities. It would probably be desirable to have an assistant visit the different departments while these estimates are being prepared to aid in making tabulations and requests, in order that the estimates may be returned as quickly as possible and in the best possible shape. These blanks should contain such information as is necessary to allow each department to exhibit to the legislature its needs for the next fiscal period and also information which will permit a comparison of similar receipts for the same purposes for previous years and of the actual expenses for the various services. The amount required for each departmental service should be exhibited in considerable detail, each year of the biennium being indicated separately. These items should each be compared with the previous appropriation for that same service and also with the actual cost for maintaining that service during the previous years.

Inasmuch as the fiscal period covered by the appropriation of the previous legislature runs from July 1st of the previous year to July 1st of the next year, it will be possible in setting forth these estimates to include the actual history of the department for one complete year of the current fiscal period. The actual

cost of every department with respect to each one of its services for this same period may be exhibited. In addition to this, each department should be required to give citations to the laws authorizing the appropriations under which the department operates in order that there may be a periodic check with regard to the authority for each of these grants, and so that in any modification of the law which may be contemplated it may be definitely known what statutes authorize the payments. An illustration of such a blank is shown in table I.

When this information is received from the various departments it should be tabulated and a general report should be prepared showing for the state as a whole the requests of each separate department. It might be well to secure this information before the blanks are returned, inasmuch as the historical part of the information, particularly the citation of statutes and records of previous appropriations, the actual cost of the department for the fiscal year already completed and the remaining appropriation can be secured from the books of the secretary of state. When this information is received from the various departments it can be quickly checked with the information already prepared by the staff and valuable time will be saved in preparing this material for the board of estimates. The material thus tabulated should be presented to the board on sheets as illustrated in table II.

The appropriations on these sheets will not, however, comprise all the demands on the public treasury which must be considered by the legislature. It must be expected that the members of the legislature will introduce bills which will necessitate charges upon the public treasury. These bills will always be a considerable item in the appropriations, but in order that the board of estimates may be in a position to pass with more intelligence upon the recurring state expenses, and the requests of the different departments for estimates, it would be better if the new functions to be undertaken or the new requests to be made by private members were also submitted for consideration. Consequently, it would be advisable to have a special blank for submission to the members elect of the legislature requesting them to send to the board of estimates their estimates of amounts to be carried in bills they contemplate introducing.

TABLE I

_____ Department

Detailed Classification of Costs	Previous Expenditures				Departmental Estimates	
	Citations to Statutes	Appropriations of 1911	Expended Fiscal Year 1911–1912	Unexpended Appropriation	Fiscal Year 1913–1914	Fiscal Year 1914–1915
Column No. 1	2	3	4	5	6	7
Totals						

TABLE II

Departments	Previous Expenditures				Departmental Estimates	
	Citations to Statutes	Appropriations of 1911	Expended Fiscal Year 1911–1912	Unexpended Appropriation.	Fiscal Year 1913–1914	Fiscal Year 1914–1915
Column No. 1	2	3	4	5	6	7
Totals						

This information should be exhibited so as to show the estimated expenses of the state by departments. It would be advisable to recast this material in order that a comparison may be made between the relative amounts to be used for such different state functions as health and sanitation, education, general governmental, etc. In addition to this information there should be secured from the state tax commission, estimates of anticipated revenue from each of the various sources which contribute to the public treasury, in order that a comparison may be made between estimated revenue and estimated expenditure for the state as a whole.

Difference of opinion may exist with respect to who should compose this board of estimates, but the necessity for a board of this character will scarcely be disputed. It is an essential feature of every well-balanced budget plan. Some authorities believe that the preparation of the estimates should be made by the auditor or comptroller, and it is thought that he might occupy a position similar to that of the chancellor of the exchequer in England or the secretary of the imperial treasury in Germany. The difficulty with such an arrangement, however, is that such an official is in parliamentary countries a member of the cabinet and also a member of the legislature, while in the states the state auditor or comptroller is an administrative officer usually elected and having no connection with or authority in the legislature. The functions these foreign officers perform in cutting down estimates submitted by the different departments evidently could not easily be performed by a state auditor. It is true, the comptrollers of New York and of some other cities perform functions of this character, but the position of the board of estimates in these cities with respect to the city council is quite different from that found in state governments.

Under federal law it is contemplated that the estimates for the federal budget will be centralized in the Secretary of the Treasury acting in conjunction with the cabinet and all under the leadership of the President: there is however a centralization in the federal cabinet system which is not followed at all in our state governments. Some states have tried having committees sit between legislative sessions and prepare budget estimates. This is done in the states of Maryland and Virginia where the senators are elected for four year terms and consequently hold

over every second session. This practice was also followed in Ohio under the annual appropriation system. The few legislatures so organized can use this plan only half of the time and then the committee is composed of members of the upper house who hold over from the general election of two years previous. A valuable feature of this plan is, however, that the estimates are considered by those who will have much to do in putting these requests in the form of law. The power of the English cabinet over the estimates lies in the fact that the head of the administration represents the controlling faction in parliament.

The report of MR. JAMES on Wisconsin State Finances[4]—suggests that such a board of estimates might consist of the chairman of the house and senate committees on finance, the governor and presiding officers of the two legislative bodies. The difficulty with such an arrangement, however, lies in the fact that all are officers of the preceding session and the personnel of such a board might be radically changed at each session of the legislature. It also would consist of too many ex officio members. In the report of MR. SANDS on state finance,[5] it is suggested that this function be performed by the Board of Public Affairs. This was evidently contemplated in the law creating this department because the statute requires that estimates shall be submitted to the board. The Board of Public Affairs is by its organization best fitted to sit as a board of estimates and pass upon these requests. The difficulty lies largely in the fact that they are officials of a previous legislature. The governor and secretary of state being elective officers must frequently go out of office shortly after the time when they should be expected to serve as a board of estimate in making recommendations to the legislature. Likewise, the chairmen of the two committees on finance are not at all certain to hold similar positions in the coming legislature. Then, too the three appointive members may not be selected because of their ability to consider fiscal matters. It is even to be expected that they will be frequently chosen because of their knowledge of other questions

[4] A. E. JAMES, *Special Report of the Wisconsin Tax Commission Finance of State Gov't.* page 12.

[5] ch. 583, laws 1911. *Special Report of the Joint Committee on Finance to the Leg. of Wis.*, 1912. page 13.

which the board desires to consider. Nevertheless, for many reasons this board offers the best facilities for the consideration of these matters. They are particularly fitted to sit as a board of audit, as will later be developed, and having done this they are in a good position to pass judgment upon the requests of the departments examined. Although there is no certainty that their positions in the coming legislature will be such as they occupied in the last, or even that they will hold an influential place, it is possible for them to invite those who will be influential members in the new legislature to sit with them and aid them in the formulation of their plans. The position they would occupy in this respect is not widely different from that occupied by other political officers in nearly every form of government which we have. The staff of the department might work on scientific lines entirely divorced from the political policies which may govern the appointment of the members themselves. Consequently, when it has been ascertained by the November election that a different faction in the state is to have control of the government, it would be possible to call in such members as will have a leading voice in this new legislature and the information secured by this staff would be available for those who must bear the responsibility of inaugurating and carrying through the fiscal policy.

These estimates so presented should be carefully reviewed and digested and an opinion concerning each of them should be presented to the legislature in the shape of a recommendation. For this purpose the month of December should be allowed for their consideration. It might be necessary to grant hearings upon the estimates of the different departments, but inasmuch as this matter must again be considered by the joint committee on finance in the legislature and inasmuch as this constitutes merely a prima facie budget, and is not at all conclusive, these hearings could be made very brief and informal. All the items of the request should be examined by this body and its conclusions with respect to them should be tabulated. Their conclusions would constitute a tentative budget which should be sent to all members before the meeting of the legislature and be given the press in order that publicity may be had. This will give to each member of the legislature before the session begins, information which, under our present system, is known only by a few

members of the finance committee and to them only toward the close of the session.

The growing complexity of our legislative program necessitates the accomplishment of a great portion of the work before the legislature meets and this is nowhere more necessary than with respect to matters of fiscal legislation. Every member of the legislature must pass judgment upon every appropriation bill and the constitution specifically requires that he shall express his aye or nay vote upon each one. Consequently, it is proper that with respect to the official requests of the various departments as much information as possible be given, in order that he may be able to weigh one request with another, and secure an estimate of the amount of revenue which may be expected to accrue to the state to pay for these services; and have at his disposal the recommendations of certain authorities on these questions. It is possible to secure all this by the plan that has just been outlined.

It is unfortunate that the state does not have in the form of a statistical report or a report of the secretary of state information showing the purposes of expenditure for each fiscal period. Instead the report of the secretary of state consists chiefly of a list of warrants showing who received compensation for service or payment for material but giving slight indication of what the state received for the amount expended. Were this more important information available, it would be possible to compare the estimates thus submitted with the reports for the ensuing biennium and the amount expended for similar purposes in previous years.

The information thus submitted to the legislature under the plan herein advocated contains, first, a history of the past appropriation; information as to what the appropriation was; the actual cost of each department for the one complete year for each of the various services performed by the department, and the unexpended appropriation. Secondly, it will show the request of the department and the estimates of their needs for the ensuing biennium; will give citations to statutes authorizing payments to be made from the treasury in favor of each department and the recommendations of the board with respect to the appropriations to be made by the legislature. The amount covered in these recommendations is the part which must be

made law. Inasmuch as a large proportion of the appropriations are already in force by virtue of existing statutes, the only requirement to be met by statute will be the modifications of these appropriations to fit new needs or situations. Where the appropriations are to be continued as they previously existed, no change is needed, but new services or changes in old appropriations should be indicated.

It is not at all essential that all appropriations should be made at each session of the legislature, and it will be pointed out later how a material advantage lies in the system of continuing appropriations for permanent services. It is, however, important that there be a periodic review by the appropriating body of all state grants to determine the wisdom of their continuance. Consequently, these estimates should include not only the amount to be covered by new laws, but also the sums covered by existing statutes. These items together form the appropriations of the legislature, consequently it is suggested that the recommendations of the board be shown in three columns, indicating respectively the total appropriation is the amount covered by existing statutes and the changes which must be made in the statutes to have them conform to the recommendations of the board. A form giving this information is shown in table III. A comparison with books of estimates prepared in some of the Canadian provinces shows a division of appropriations similar to the one contemplated in this table. Here appropriations are divided into two columns: one showing the appropriations made by existing statutes, the other showing appropriations yet to be voted. The estimates of the minister of finance of Quebec illustrates this method.

THE ESTIMATES BEFORE THE FINANCE COMMITTEE.

Having prepared the estimates, the next step in the budget procedure involves the legislative consideration of the appropriation measures. The bills should be presented to the legislature from two sources. First, departmental estimates should be submitted through the agency of the Board of Public Affairs and secondly, private members should introduce their bills in conformity with the present custom.

Since the departments have formulated their requests and presented these officially to the Board of Public Affairs, the

matter of submitting these to the legislature should be in charge of the board. They should be introduced either by a member of the board who is also a member of the legislature, or by some other member chosen by the Board. It will be possible in this way to reduce somewhat the number of bills introduced, inasmuch as one bill only need be prepared for each department or at least for each service, and the present system of duplicating bills and submitting them in each house separately, might be done away with. Also the present plan whereby substantially the same measure is presented by a number of different members might be changed and a single official bill be introduced. While it is not practical to prohibit the introduction of departmental bills by private members, the fact that there was one departmental bill would tend to discourage the members in the introduction of private bills for the department and also have a tendency to make the legislature feel that such a bill would merit slight consideration.

Such a plan would operate to greatly lessen the work of the legislature in the consideration of bills, inasmuch as these measures would be drafted before the legislature convened and would be in better shape than would be possible were it necessary to draft and introduce them after the legislature had convened. For this purpose it would be advantageous to coöperate with the legislative reference department and have these bills drafted before the session began. This would greatly relieve the congestion in this department and more careful work could be done.

Besides these official department bills there should be bills introduced by private members. The right of a member to introduce bills respecting financial matters must by all means be maintained. In order, however, that the finance committee may get at their work of preparing the actual budget at an early date, it is reasonable that all financial bills should be submitted as early as possible. This is an additional reason why the members should be encouraged to present their estimates to the board at the same time the departmental estimates are considered. That there may be an inducement for such a practice, it is suggested that a rule be passed limiting to the first two weeks of the session the right of members to introduce bills carrying appropriations. After this, all appropriation measures should be in-

troduced through the finance committee only. This is a rule similar to one usually passed by the legislature cutting off the right of members to introduce bills after a certain date. In California a law was passed in 1909 requesting members to submit their estimates of appropriations to the board of control before the legislature convened, but as there was no incentive for them to comply with this request, little advantage was gained by this law in the session of 1911.

Upon the organization of the legislature the joint committee of finance will be chosen and placed in control of the budget. With respect to the work on the budget, this committee will be the successor of the Board of Public Affairs and it should be possible for it to take up the matter of preparing the budget where the board has left it, instead of having to begin with the consideration of the bills introduced as under the present system. The material which will be ready for them upon their organization will be the departmental estimates for the succeeding biennium compared with the expenditures for the preceding fiscal period and the recommendations of the Board of Public Affairs in the form of the budget estimate. This recommendation will be based upon the study of the departmental estimates, changes the board thinks advisable, determined upon the previous year's experience, private members' suggestions as to modifications, the anticipated revenue of the state, and such adjustments as it may be necessary for them to make in the formation of a well balanced budget. As soon as the statistical data are available through a better organization of the reports of the secretary of state, it will be possible for the finance committee to draw comparisons between these estimates and the expenditures made in previous years for similar purposes. In addition to this the finance committee will have before them the finance bills introduced by private members during the first two weeks and such bills of an emergency character as have been introduced by the finance committee itself, especially after the expiration of this period.

It should be possible for the joint committee on finance to take over the staff which has been working on the budget under the guidance of the Board of Public Affairs. This is frequently done in cases of those organizations which have prepared the budgets in other countries and states. The English treasury is organized for this work and the political chiefs are assisted by a body of

clerks under a permanent undersecretary, whose office is regarded as the highest in the permanent civil service. The clerk of the appropriation committee in the United States House of Representatives is a permanent official, who has become very expert in the handling of appropriation measures, and the chief clerk of the committee of ways and means of Massachusetts is an agent trained to prepare fiscal measures.

As soon as all bills have been introduced and the time has expired when it is possible for members to present fiscal measures, the finance committee should submit a revised book of estimates, showing the information exhibited in the first book modified by the bills which have been introduced. This could be done by republishing the first book of estimates with additional columns for increases or decreases in conformity with pending bills. Such a form is illustrated in table IV. It should be possible to keep the type from table III and by setting the additional columns in heavy type show these modifications without any considerable expense. It should be the first duty of the finance committee to adjust and amend the appropriation bills to make them conform with the budgetary classification and to push hearings on the bills involving appropriations.

In Wisconsin the desirable custom has arisen of having bills considered primarily from the standpoint of the subject matter and secondarily from the fiscal aspects. This necessitates the consideration of these measures in two committees. As bills of this character must go before two separate bodies, it is reasonable to allow them priority in committees and to have a rule to that effect. Each committee, excepting the finance committee, should be required to announce hearings upon all appropriation bills the next time hearings are posted, and every appropriation bill should be reported by the committee to the house by the second week after notice of these hearings have been given. It would be within the province of the house to re-refer these bills to the committee for future consideration should it deem such a course advisable, but a rule of this character would greatly facilitate the action on the part of the committee with respect to appropriation bills and place them in the hands of the finance committee at a much earlier period.[6]

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[6] Such a rule might read as follows:
The resolution amending the rules of the legislature.

This rule should apply to bills before the tax committee which affect finance, although it might be necessary to allow the tax committee a somewhat longer time to report upon these measures. Aided by the work which the Board of Public Affairs had already accomplished in preparing the estimates and digesting them, and by the rules which have been suggested for expediting the introduction and consideration of finance measures, it should be possible for the finance committee to get an earlier start upon the work of preparing the actual budget. The preliminary budget of the Board of Public Affairs should be taken as the basis, modified by such matters as have reached the finance committee through bills introduced by private members, by the revenue bills recommended for passage by the committee on taxation, by the financial measures which the committee of finance itself thinks advisable, and by the developments which occur at the committee hearings. When the committee has balanced the budget, determined how much revenue can be raised and for what services it had best be supplied, the appropriation bills are ready for legislative consideration.

The finance committee should report no finance bill for passage until it has come to a conclusion respecting all pending fiscal measures, and before these bills are reported from the committee, a report should be sent to the legislature embodying the

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Resolved by the....the....concurring, That the rules of the legislature be amended as follows:

Amended rule 29 to read:

29. *Business in committees; notice of meeting. All bills which have been referred to a committee other than the joint committee on finance, and which require the appropriation of money by the legislature, or provide for revenues, or relate to taxation shall take precedence in such committee over all other measures. Public hearings shall be held upon every such bill within ten legislative days of the date upon which it was introduced, and every such bill shall be reported back to the house not later than the second Tuesday after the week in which hearings were first held.*

All business referred to a committee shall be taken up within two weeks and if not at once disposed of, a time shall be fixed by the committee for the final hearing thereon and a report thereof made to the house. The chairman of each committee shall at the end of every second week report the number of bills in his hands. The day, hour and place of hearing before any committee shall be posted on the bulletin board of each house, and such notice shall specify the number and title of the bill or resolution to be considered.

recommendation of the committee with respect to all of them. Such a report might follow the form illustrated in table V. This form is of the same character as earlier reports made by the Board of Public Affairs and by the finance committee and contains the history of previous appropriations, departmental requests, the recommendations of the Board of Public Affairs, and the recommendations of the finance committee. Here again the recommendations of the finance committee embody all amounts to be paid from the state treasury during the ensuing biennium, including the sums authorized by permanent statute, as well as those to be covered by new legislation.

The only columns dealing with pending legislation are columns 8 and 9. Column 8 will contain a list of all appropriations now on the statute books, which it is recommended be maintained. Where the finance committee recommends that these appropriations be lessened, the present appropriation might be shown with a line through it and the recommended appropriation be exhibited in column 9. This follows the existing custom with respect to the amendment of our statutes. When the finance committee recommends the appropriation be enlarged, the old appropriation may be shown in column 8 and the increase in column 9. Column 9 would therefore show the increases on the old appropriations and the grants for new services. The sections of the statutes of the pending bill should be printed in fine type and accompany the recommendations with respect to the appropriations contained in columns 8 and 9 respectively.

THE VOTE ON THE APPROPRIATION BILLS.

The only columns having to do with pending legislation will be columns 8 and 9 and column 8 only in case it is desirable to reduce or omit an appropriation. Column 9 will deal with increases and new services and consequently will deal only with pending legislation. The legislature will have before it as each bill comes up for consideration the information as to how its passage will affect the entire fiscal plan of the state. It will know how much we are spending for each of the various departments of the state and what the expense of one function of government is in comparison with others. It will be evident that if the appropriation for one service is increased, it will be neces-

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sary to increase the sum total of the appropriations, which will result in a heavier tax, or a corresponding decrease must be provided with respect to some other service. This would have a salutary effect upon log-rolling tendencies in the legislature. When a legislator combines with his colleagues to increase the appropriation for a purely local service, he will thus perceive that the effect of his vote for the grant to benefit his colleague's constituency will be met in part by his own constituency, either in the way of increased taxes to meet the larger sum total of the appropriation or by limiting the extension of a state service whose benefits his constituents might share. The procedure upon financial bills will be practically the same as at present. Each bill will be considered separately and put to a vote. All bills which have been referred to the finance committee should be reported out as at present, but those upon which the finance committee recommends indefinite postponement, should be omitted from the chart. It should be possible for members to reach a conclusion with respect to their vote on bills from a study of the chart, the bills, so far as their fiscal aspects are concerned, being merely statutory embodiments of conclusions already reached.

This plan does not involve a budget at all as that term is frequently used, that is where the entire expenditures of the state are voted periodically in one bill. It contemplates changing as little as possible the present practice, but it secures the chief advantages to be found under the budget system. These are an opportunity for a periodic review of all appropriations of the state and for changing them in any and all respects. When each appropriation is up for consideration it will therefore be possible to know how much the state is already paying for the service under consideration. A vast improvement will be secured through this plan over the method of having all appropriations voted each biennium, inasmuch as this latter system requires that considerable attention be given unimportant and customary legislation of the state and consequently less attention to new services which should receive the greatest care. The merits of this plan are chiefly informational, the procedure will be changed but little from that used at present.

It would be preferable to have this plan as elastic as possible in order that it may be shaped as occasion demands. It is diffi-

cult to foresee what may develop in the inauguration of any new method, and consequently it is advisable to have an elastic system which will fit new situations as they arise. Appropriation bills constitute such a vital part of our legislation that it would be inadvisable to tie the hands of the legislature by rules or laws through a system which might promise satisfactory results, but which had not been tried in actual practice. Practically the only rule necessary for this plan should be one limiting the time for the introduction of appropriation bills and requiring the committee to give prior consideration to fiscal legislation. There can scarcely be any doubt as to the advisability of the adoption of such rules in any fiscal system.

THE SINGLE BILL PLAN.

While the plan which has just been outlined embodies every change which it would be advisable to inaugurate at the present time, it is nevertheless incomplete, and the vote upon individual measures constitutes a serious weakness. The difficulty involved in a consideration of appropriation measures bill by bill lies in the danger of a loss of general perspective. It is not always apparent that amendments to the various individual items will seriously affect the total, and consequently the necessity of maintaining the original balance of the finance committee is not recognized. However scientifically, carefully and honestly budget estimates may be prepared, the fact that appropriations for each service are considered independently and subjected to such amendment and changes as each house may desire, makes a scientific budget almost impossible. When the budget is introduced upon the floor of the house the legislature loses its capacity as a state body and the members become delegates from the various sections of the state, each desirous of gaining such advantage as he may for his own locality and sacrificing the needs of the state as a whole to meet his ends. It is only a small body, such as the budget committee or the state officers, which is capable of looking at the needs of the state as a whole. Consequently, it is desirable to have some system limiting the rights of members with respect to the amendment of fiscal bills, otherwise the budget loses its scientific character and takes on a rude shape which it has assumed on the floor of the legislature for

which no one is responsible. The tendency to combinations and log-rolling with respect to finance measures is very great and the appropriation measures cause combinations and programs which seriously menace all good legislation of the session.

It is the practice in England to prohibit individual members from making changes in the budget estimates submitted by the cabinet. They have the right to propose reductions but may not suggest increases. As a matter of fact, the budget is habitually voted practically in the form in which it is introduced. This is coming to be customary in the American states, but for quite a different reason. The finance committees usually report the bills so late in the session that the other members do not have an opportunity to master the countless details and consequently are unable to present any effective objection to the plan proposed. Consequently, it is customary for the plans of the finance committee to be adopted without change.

There are two systems of preparing the budget in American cities. The first is the usual one where the budget is determined by the city council. An example of the working of this plan is presented in the city of Chicago where it is not infrequent that a $12,000,000 budget is voted together with other important pieces of legislation in a single evening session. The second plan involves a budget commission made up usually of the administrative officers. With respect to their determination there is some finality, inasmuch as it usually takes more than a majority in the council to effect a change and in some cases the council may reduce but may not increase appropriations. The board of estimate consists of the mayor, the chief financial officers of the city, the president of the council and the corporation council. In New York city it consists of the mayor, comptroller, president of the board of aldermen and the presidents of the five boroughs.[7]

In New York city the council is unicameral, the heads of the departments submit estimates to the Board of Apportionment and Estimate which makes up the Budget. The mayor calls a special session of the council which must confer on the budget every day until it is passed; if it has not been passed in twenty days the proposal of the board of estimate stands adopted.

[7] GOODNOW, *Municipal Government*, p. 370.

Any amount fixed by the board of estimate except those fixed by law, the state taxes, or interest on the debt, may be reduced by the aldermen, but no amount in the budget may be increased, the terms or conditions of the appropriation may not be altered, and new appropriations may not be inserted. However, these reductions made by the council may be vetoed by the mayor and can only be passed over his veto by a three-fourths vote.

In Cleveland the annual budget is prepared by the mayor and submitted to the unicameral council by April 1st. The mayor may change items furnished by the department, but may not increase the total and the council may reduce items as submitted by the mayor but may not increase the totals. In Buffalo a two-thirds vote of all members of the two branches of the council is necessary to alter the estimates of the Comptroller. In Baltimore the council may not increase the amount fixed by the board or insert new items, and in Denver a two-thirds vote of each of the two houses of the council is necessary to change the estimates.

It is seen that the necessity for some permanency with respect to the original budget estimate has been recognized wherever an attempt has been made to work out a scientific budget plan. This has been accomplished by the requirement of more than a mere majority to affect the determinations reached by the board of estimate. However, it is not thought advisable that such a course be followed with respect to the state budget, inasmuch as the preparation and submission of the estimates cannot follow such a scientific outline as in England and in the cities mentioned. For such a system an interdependence between the executive and legislative departments not contemplated under our state and national systems of government is necessary. It is possible, however, to devise a plan which will remove the budget estimates from such manipulation as is customary where but a majority of the members of one house is required to change separate items of the plan and where the temptations to combine in order to get changes in the various portions is so great.

The following plan is suggested which may benefit our finances. It is not suggested that it be tried at once, but the plan first outlined forms a good beginning for such a system. If this first method works out satisfactorily, we shall then be in a position to know whether satisfactory results may be expected from the method we are about to outline.

With respect to the preparation of the estimates, the plan already outlined might be followed. They should be prepared primarily by the various departments, sent to a central body and there digested and organized and presented to the legislature with recommendations. It would be preferable to have them introduced as a single tentative budget bill, which should be examined, according to the present plan, from two points of view: First, as to the subject matter and secondly, from the point of view of the bill's fiscal aspects. Inasmuch as this bill will deal only with fiscal matters, there will not be the same opportunity for determining what committee should consider it from the first point of view. Consequently, it should be the duty of some person, possibly the speaker of the lower house, to separate this bill into the services to which it relates and send these portions to the proper committees in order that the fiscal aspects of the measure may be under consideration by the committee which deals generally with that character of legislation.

The appropriation bills introduced by private members should follow the same course as that outlined in the previous plan, and be referred first to the various committees of the legislature dealing with the subject matter of the measure, and secondly, to the finance committee. The hearings before the finance committee on the fiscal aspects of the budget might be made by schedules in accordance with the announcements of the committee. The finance committee might divide the budget bill into parts and announce hearings on these various portions or schedules from time to time. The hearings on the private members' bills should be held at the same time. It might be possible to conduct hearings upon the budget as a whole in a committee of the whole and it is probable that in this way the opinions of the members might be formulated and conclusions reached as to the desirability of the various services. An advantage of such a system would be that constructive criticism could be secured while the opinions of the finance committee with respect to the bill were in a plastic condition and there would yet be time to take advantage of any suggestions which might arise. It might be possible to hold hearings on this budget bill somewhat similar to those held during the last session of the legislature on the Workingmen's Compensation Bill and the income tax measure.

By having the bills prepared early and receiving priority before the other committees, it would be possible to get these bills before the finance committee before the end of February. The work of the finance committee in preparing the budget would be exactly similar to that outlined in the previous plan and as soon as their determinations were reached with respect to all portions of the budget, a schedule could be submitted as is illustrated in table V. At the same time a single bill should be submitted which would accompany the schedule and place in statute form all changes to be made in the permanent law or old appropriations of a permanent character, and in the legal form of provisions of a temporary or local nature.

No appropriations whatever should be made except by this act. The report of the finance committee should be made upon all appropriation bills which have been referred to it. The appropriations recommended for passage should be included in the budget estimate and in the bill and those recommended for defeat, omitted.

The Canadian finance bills are arranged somewhat after this order. Schedules are submitted embodying the recommendations of the government for certain service. These accompany the bill and are legalized by provisions in that measure itself. For our purposes it would be preferable to have the budget bill complete as a law and the budget estimates submitted as in table V, which is an illustration of the bill.

Bills should be divided into sections corresponding to the divisions on the schedules and while it might be advisable to have all the appropriations for one department in one section of the bill, uniformity in this respect need not be insisted upon. It might be advisable to put new services in separate sections in order that changes desired by the legislature might be more easily considered. This bill should contain all the appropriations made by the legislature except various emergency appropriations which might have been passed. The passage of this appropriation bill constitutes the final step with respect to the budget.

AMENDING THE BUDGET BILL

A defect in making appropriations under a congressional system of government is that it is impossible to fix responsibility. Under the parliamentary form of government the cabinet is part

of the legislature and largely controls the work, consequently it may be held responsible and the budget that is introduced is customarily passed without material change. Under the former system almost the entire function of law making rests with the legislature. It is the finance committee rather than the executive which finally formulates the budget. In parliamentary countries, as in most forms of government, the budget is scarcely changed by the legislature. If the legislature had the right to amend the estimates prepared by the government, they might be so seriously modified that the government could no longer be held responsible for them. In order to have a balanced budget it is essential that some small group, such as a cabinet or finance committee, have power to adjust the state expenditures to conform to the state revenue and to arrange the expenditures so that the functions of government be taken care of in a well-balanced way.

When the budget plan is subject to modifications upon the floor of the legislature log-rolling ensues and the legislature breaks up into various groups each demanding a specific change. In order to secure the passage of the bill, combinations and adjustments must be made and the bill which finally passes is not at all in the form recommended by the committee, but is a crude arrangement which has shaped itself upon the floor of the house, because the legislature did not constitute a single body working for the interest of the state as a whole, but was composed rather of individual members representing their constituents, each trying to get the greatest advantage for his district and losing sight of the advantages to be gained by the state as a whole. The budget prepared by the central authority should be changed in conformity with the wishes of the legislature, but it should not be necessary to purchase successively the votes of the various groups by modifications which one clique and another desires, but which the legislature as a whole does not require.

The recommendations of the finance committee should be considered as the provisional budget of the legislature. It should be conceded that the work which has been done in the formulation of this measure places it in a position where the bill should be immune from party manipulation. It should not be necessary to make changes in it to meet the demands of a few members who have not the backing of the legislature and it is

desirable that it be saved from various combinations which might try to give local or selfish advantages to one section or another. Consequently, it is reasonable to provide that the bill so formulated and introduced should not be changed except upon the expressed desire of the legislature. It should, however, be possible to secure a change when the legislature has affirmatively expressed a desire for modification.

It is the theory in our government that the two houses of the legislature are of equal weight in authority, consequently, it is impossible under our procedure for one body to dominate the other. Both bodies must come to an agreement with respect to each measure which becomes law, and if an agreement cannot be reached the measure fails. The appropriation bill, however, must pass and consequently it is customary in the various states to have the budget bill submitted to a conference committee in case of deadlock between the legislative branches, and the authority of this committee with respect to changes is almost supreme. The budget, carefully and scientifically prepared and given its final shape by the joint committee on finance, with full information at their disposal so that the budget of the state can be considered as a unit, should be the budget of the legislature to such an extent that should one house agree to it and the second house dissent, with such a deadlock this scientific budget should stand. In case the two branches of the legislature disagree, the one favoring the scientifically prepared plan should dominate.

In order to bring this plan into operation it is proposed that changes in this budget should be made only by the agreement of both houses of the legislature and it is suggested therefore that the budget of the finance committee be amended only in the following way: The budget bill should be reported to each house at the same time, and it would then be proper for a member of either house to introduce a joint resolution requesting the finance committee to alter the budget in a specified particular. If this joint resolution is agreed to by a majority in each house, it should be mandatory upon the committee to alter the budget in the manner specified in the joint resolution. Should the joint resolution fail of adoption, the estimates as prepared by the committee should stand.

In order that there be a separate consideration of each proposed change, there should be a separate joint resolution for each section to be brought up for consideration, otherwise riders and combinations will be in evidence. It is probable that few changes would be made in a well-balanced budget estimate, inasmuch as it would not be necessary to meet the demands of various small cliques which had not the backing of both houses. Should, however, the budget be modified or seriously disorganized in this way so that the finance committee was dissatisfied with it, necessary adjustments might be made by changes recommended by the finance committee itself, or the committee might request the re-reference of the budget, to provide revenue for increases or to change the plan in important particulars. It should be beyond the power of the finance committee to make adjustments in the budget after it is primarily reported, except in accordance with the changes demanded or allowed by the legislature.

An important difficulty with respect to the execution of this plan, however, lies in the consideration of bills which require appropriations but primarily relate to other than fiscal affairs. The fiscal parts of these measures should be included in the budget bill, and consequently the appropriations should be omitted from the measures themselves. These bills might contain a statement to the effect that the appropriation necessary for carrying on that particular service was included in a particular section in the budget bill, and the section in the budget bill referred to should include a reference to the other bill. This practice is followed in the state of New Jersey. All appropriations are there made in the general appropriation bill and the supplementary appropriation bill. Appropriations for new services in separate bills contain the proviso that no money be available until the amount named shall be included in the regular appropriation bill. It is important, however, that both the subject matter and the appropriation be considered at the same time. It would be useless to pass the bill proper without the appropriation or the appropriation if the bill itself failed. A system which requires the consideration of the legislature on two different occasions, not only dissipates the energies of the legislature by requiring a double consideration of these matters but in many instances precipitates two discussions of important

pieces of legislation. It is necessary first to secure the passage of the bill, and in the second place to secure the appropriation to provide for the purpose. It is of importance that the appropriation be considered at the time the bill itself is up for consideration. This is entirely practicable under this plan, the only limitation being that it would be necessary to defer action upon bills of this character until the finance committee has made its recommendations with respect to the budget bill. When this recommendation has been made, bills of this character should receive first consideration, and the fiscal aspects of the bill should be considered at the same time as the measures themselves. Should the bill be passed, it should be beyond the power of the legislature to affect that particular appropriation in the budget bill when it comes up for consideration. With respect to making changes in the fiscal aspects of such bills, however, the procedure should be similar to that outlined for amendments in the budget bill and these changes should likewise be made by joint resolution.

When the bill is reached on the calendar it should be in order to introduce joint resolutions to change the appropriation for that service in the budget bill. When the bill creating the service, and the joint resolution to change the recommendation of the finance committee with respect to its appropriation reaches the second house, they should be considered together. If the second house either changes the bill or refuses to concur in the joint resolution, the matter should be sent to a conference, inasmuch as the first house might not have passed the bill except with the understanding that the appropriation be changed. Should the bill be defeated entirely, no appropriation for that service is needed and the defeat of this bill should be considered as the amendment of the legislature to the appropriation bill by an omission of the charge.

Rules should further provide that when a joint resolution has once been passed authorizing a change, or when one house has refused to entertain a motion to change an appropriation, the matter should not be again brought up unless by a resolution coming from the other house. Bills which the finance committee recommend for indefinite postponement should be considered as at present, but those upon which members desire separate votes should be considered only on the next calendar

date, because their passage would necessarily be accompanied by joint resolutions for the amendment of the budget bill. The procedure with respect to these bills should be essentially the same as the procedure on bills recommended for passage. Inasmuch as the voting on these joint resolutions practically amounts to voting on items in the bill, these should be made on roll call.

After the legislature has considered all the measures which ultimately require appropriations, the budget bill itself should be taken up for consideration and such changes made therein as are desired by the legislature. Table V shows the form which should contain all the appropriations which must be considered by the legislature. In column 8 decreases in continuing appropriations called for by the budget bill will be indicated by having the appropriations made by permanent statutes crossed out. In column 9 will appear the appropriations for new services or supplementary appropriations for old ones. The vote on the budget bill will, therefore, be a simple matter. It is not important that the schedules be taken up one by one for consideration, as the legislature has already had opportunity for a consideration of these individual portions when it considered such joint resolutions as have been presented to it. It is probable that the budget itself would come to a vote without debate, inasmuch as the debatable portions of the budget will have been voted on previously. The consideration already given the budget bill by the legislature constitutes practically the vote of the legislature upon the budget and such changes as were desired will have been made by amendments by joint resolutions. In other respects it should be the rule that the estimates recommended by the finance committee should stand.

In order to induce members of the legislature to present their amendments by joint resolutions and not defer suggesting changes until the measure is presented for final passage, some provision should be made increasing the difficulty of changing the budget bill when it is up for final passage and it is suggested that a three-fourths vote in the legislature be required to affect a change during the final consideration of this measure. It will be necessary to take the final vote on this bill in accordance with the constitutional mandate that three-fifths of the members be present in each house and the vote be taken by roll call.

It would hardly be advisable to inaugurate such a plan as is here outlined at once. It is well suited, however, to a later adoption after the plan first suggested has been operated. Under the plan first suggested the finance committee will report its separate bills at the same time, while under the second plan the joint committee on finance will report, in lieu of the several bills, one single bill. After the plan first suggested has been tried in actual practice, it should be possible to judge of the advisability of adding to it the procedure involved in the single bill scheme. Few changes should be required in the rules of procedure to inaugurate such a system. There should be the following rules: *(a)* to limit the introduction of bills to the first two weeks of the session; *(b)* to allow the speaker to divide the budget bill into a number of different schedules for separate consideration; *(c)* to provide for early hearings on appropriation bills before the committee on finance; *(d)* to provide for amendments to the budget bill by joint resolutions; *(e)* to provide that all appropriations be made in the budget bill; *(f)* to provide a plan whereby amendments to the appropriation bills respecting particular services may be considered at the time the services are considered in the legislature, while other amendments to the budget bill must conform to the rules of the legislature which require voting on roll call on the amendments to the budget bill as suggested by joint resolutions. Inasmuch as the budget bill will not be passed until the closing days of the session, it will be practically necessary to pass emergency appropriations in order to have funds required for immediate purposes. This is the procedure in respect to the English budget. Although the finance act legalizing the budget itself is not usually reported to Parliament before the close of the session, prior appropriations are made by consolidated fund acts as the need for these appropriations arises.

When the legislature organizes there are always minor appropriations to be cared for and sometimes contingencies arise which call for the immediate consideration of appropriation bills. The plan adopted should be elastic enough to allow the legislature to take care of these emergencies, but it is important that a sufficient burden be imposed upon the consideration of these bills so that their passage will prove the exception rather

than the rule. This might be done under the present rule which requires a two-thirds vote for a suspension of the rule. A burden of this character would probably be sufficient to prevent any abuse of this right.

It is the opinion of a great many students of American politics that little is to be expected from rules of this character since it is always within the power of the legislature to suspend the rules or amend them. This conclusion is suggested by an observance of the use of the power to suspend rules as it actually works in congress. This difficulty lies both with the rules and the lack of definite responsibility and incentive for the observance of them. If there is a popular feeling that the rule itself is just and if there is a body whose duty it is to take care of the procedure and see that it follows the ordinary channels, dependence may be placed upon a fairly close observance of the established procedure. It is not contemplated that this system will work independently. It is a plan which must be administered and if well administered will work satisfactorily. It will be the duty of the finance committee to control the finance bills in all stages of their consideration and the question whether a service constitutes an emergency will be largely determined by the committee itself. When this is the case and the reporting of finance bills is in the hands of the committee, little fear need be entertained that the provision for immediate consideration or the separate consideration of bills under the emergency rule will be abused.

CONSTITUTIONALITY OF SINGLE BILL PLAN

A more serious question is involved with respect to the constitutionality of the plan here proposed. Article 4, section 19 of the Constitution of Wisconsin reads: "Any bill may originate in either house of the legislature and a bill passed by one house may be amended by the other." This evidently contemplates that the second house of the legislature shall have the right to amend every bill which has been introduced after that bill has passed the first house. The plan here outlined calls for a consideration of all amendments at the same time and that before the bill has actually passed either house. Inasmuch as both houses are given the right to propose amendments to the bill, the spirit of the section is complied with, but since this

plan contemplates limiting the right of members of the second house to propose amendments after the measure has passed the first house, the constitutionality of this plan may be questioned. The framers of the constitution probably contemplated an amendment in the usual way, that is one proposed on the floor of the house and carried by a majority vote of those present, after the measure had passed the first house. Of course, the determining factor is, what was the intent of the framers of the constitution with respect to this section? Does this provision protect the rights of the second house as a body or is it the rights of the individual members of that house which it is intended to conserve? If it is the rights of the members which this section is designed to protect, the constitutionality of this proposed plan may be seriously questioned. It is an elementary rule in statutory construction that words and phrases are to be construed in the sense in which they were customarily used at the time the law was framed and little doubt can be entertained that the word "amendment" means an amendment in the ordinary way. Consequently, if this section conserves the right of the members to suggest and pass amendments the plan is probably at fault. Practices which were in vogue at the time the constitution was adopted must be respected, even though they are not specifically provided for in the text of the constitution. On this point COOLEY says:

"If, when the constitution was adopted, there were known and settled rules and usages, forming a part of the law of the country, in reference to which the constitution has evidently been framed, and these rules and usages require the observance of particular forms, the constitution itself must also be understood as requiring them, because in assuming their existence, and being framed with reference to them, it has in effect adopted them as a part of itself, as much as if they were expressly incorporated in its provisions. Where, for an instance, the legislative power is to be exercised by two houses and by settled and well-understood parliamentary law these two houses are to hold separate sessions for their deliberations, and the determination of the one upon a proposed law is to be submitted to the separate determination of the other, the constitution, in providing for two houses, has evidently spoken in reference to this settled custom, incorporating it as a rule of constitutional interpretation; so that it would require no prohibitory clause to forbid the two houses from combining in one, and jointly enacting laws by the vote of a majority of all. All those rules which are of the essentials of law-making must be observed and followed, and it is only the customary rules of order and routine,

such as in every deliberative body are always understood to be under its control, and subject to constant change at its will, that the constitution can be understood to have left as matters of discretion to be established, modified, or abolished by the bodies for whose government in non-essential matters they exist."[8]

Section 7 of article 4 of the Wisconsin Constitution reads: "A majority of each (house) shall constitute a quorum to do business," and section 8 of article 8, which governs the passage of fiscal laws, provides: "three-fifths of all the members elected to such house shall in all cases be required to constitute a quorum therein." The constitution seems thus to fix definitely a quorum for all cases of ordinary business and especially mentions the one case of voting on the passage of fiscal bills. Consequently, it might seem that the amendment of a fiscal bill as distinct from its passage should fall under the class of subjects regulated by article 4, section 7, and read together with article 4, section 19, it provides that a bill passed by one house may be amended by the other, thus securing to the members of each house the right to amend upon securing the majority prescribed in section 7.

But on the other hand, if this constitutional provision is one granted to the house rather than to the members of the house, there is no reason why the manner in which this right may be exercised may not be controlled by the house itself by its rules, even though the rules curtail to some extent the privileges of the individual members.

It is quite in keeping with constitutional construction to interpret these provisions as securing to each house of the legislature, rather than to the members, the unrestricted right to amend any bill sent to it by the other house, and as being inserted in order to preclude one house proposing to the other a bill which must be accepted or rejected in toto, in the manner in which the governor exercises his veto power. Such an interpretation is strengthened by a consideration of contemporary history and its purpose seems to have been to maintain an absolute equality with respect to legislation between the two houses.

The first part of the section provides that any bill may originate in either house. This provision is not found in all con-

[8] COOLEY, *Constitutional Limitations*, Seventh Edition, Chap. 6, pp. 186-187.

stitutions; some provide that money bills may originate only in the lower house and it is reasonable to believe that the second part of this sentence has to do with the same matter. When one considers that these constitutional sections are found in precisely the same terms in very many of our state constitutions, the necessity suggests itself of tracing the origin of these phrases further than to the adoption of the constitution under consideration. Applying this test to the section in question we see that the right of the second house to propose amendments was inserted for practically the same reason which prompted its adoption in the federal constitution, namely, that since the lower house was given the exclusive right to introduce finance measures, it was thought necessary to provide specifically for the right of the upper house to suggest amendments to this bill. Read in the light of such interpretation, this guarantee is clearly one to the house as a body rather than to the individual members which compose it.

Under such interpretation the constitutional provision seems to relate to the substantial right of amendment, rather than to the manner of amendment. Consequently, the house is at liberty to make such rules as it sees fit respecting the method in which this power may be exercised. Such a construction is greatly strengthened by a consideration of the actual practices in all of our legislatures with respect to this same section. The first part of the phrase under consideration provides that any bill may originate in either house. Under the construction first suggested, this would guarantee to the members of both houses the right to introduce bills in the way bills were ordinarily introduced at the time the amendment was adopted, namely, by the presentation of a measure at any time during the session of the legislature. Such a right of the members has, however, been curtailed by legislative rules and Joint Rule 44 of the Wisconsin legislature of 1911 provides that no bills may be introduced after the fifth week of the session. This rule is as clearly a violation of the constitutional restriction under consideration as the proposed rule requiring three-fourths vote upon amendments and final passage. The cases are practically parallel. It is no argument to say that such a method of procedure as is provided in the proposed rule was never contemplated by the framers of the constitution. Such reasoning would invalidate a great

part of our legislative procedure and even the statutes passed under these constitutional provisions.

The question arises as to how such a question would come up for judicial consideration. It is improbable that the courts would enjoin or mandamus a coördinate branch of the government. However, as this state does not follow the rule of the finality of enrolled bills, the court might be expected to consider the journals of the two houses to determine whether a measure under consideration had been passed in accordance with the constitutional mandate.[9] Such an examination might disclose that the rights of individual members had been curtailed in the passage of these bills and consequently the validity of the measures passed under the rules be questioned.

THE AUDIT OF ACCOUNTS

One of the most important phases of financial procedure has to do with a periodic examination of the accounts. Historically this was one of the first steps taken to insure the popular control of the public funds and the early parliaments frequently asserted their independence by requiring the King to disclose to a parliamentary committee the use to which previous grants had been put before new authorizations were made. English law provides for a periodic audit of the accounts under a comptroller and auditor appointed by the King, who holds office during good behavior and is subject to removal by the crown only upon an address from the two houses of parliament. He may not hold any other office under pleasure of the crown, or under any officer appointed by the crown. Neither may he sit in the House of Commons or be elected to it. The office may not be held by a peer. The salary is fixed by statute and is a permanent charge upon the consolidated fund, in order to remove it from an annual control by parliament. It is the intention that this office shall be independent of both parliament and the executive government in order that the examination of the accounts may not be controlled by any political motive. This officer considers himself in no wise a servant of the treasurer but an officer responsible to the House of Commons. His ex-

[9] *Bound vs. W. C. Railway Company*, 54 Wis. 543; *State vs. Wendler*, 94 Wis. 369.

amination requires a great deal of time and it is not reported upon until the opening of the next regular session when he presents the accounts, covering in great detail the expenditures of the separate services with a report and comments. This is audited by a committee on public accounts, consisting of eleven members of the house chosen at the beginning of the session, and by the financial secretary of the treasury. This committee has a great influence in keeping the expenditures within the appropriations and frequently expresses in strong terms its opinion with respect to any laxity.[10] The Swiss have a joint committee on finance which sits permanently and examines the audits of the accounts.

The auditing commission has become an important depart- wherever adequate fiscal machinery has developed. COHN says, in referring to the audit committee, "For administration and effective purposes there should be a central auditing body independent of all other departments as well as of the department of finance. The development of this sort of control is shown by the increasing independence of this board of all other central organizations of the state, even the absolutely monarchial state found itself obliged to give its superior court of revision, the Revisionsbehörden, an independent position beside its ministers."[11]

In the state of Wisconsin there has been heretofore no adequate provision for the auditing of public accounts. Many of our departments have never been audited at all, but it has become the custom to audit, at irregular intervals in accordance with specific statutory mandates, some of the larger accounts, such as those of the university, the normal schools and the institutons under the board of control. Even these institutions were never audited until recently. This auditing work has been done by private firms employed for the purpose, until the year 1912, when the Board of Public Affairs had charge of the audit covering the university, normal schools and the institutions under the board of control.

Article 6, section 2 of the Constitution provides that the secretary of state shall be exofficio auditor and the court has so in-

[10] LOWELL, Government of England. Page 126; ILBERT, *Parliament*, page 285.

[11] COHN, *Finance*, §172

terpreted this provision as to render it incompetent for the legislature to provide for the creation of the office of a comptroller and give him auditing duties. This court holds that this is a personal responsibility of the secretary of state and may not even be delegated to subordinates,[12] consequently, even the assistant secretary of state may not perform the duty of auditor. The secretary is required by statute to certify to the treasurer, persons whose salaries are provided for by permanent appropriations from the state treasury and give their office and method of appointment. In case of vacancy he must immediately notify the treasurer.[13]

It will be noted, however, that the functions of the secretary of state as state auditor pertain more to a comptroller than to one who makes a periodic examination of the books, vouchers and accounts of those who are required by law to handle public funds. He examines the warrants and determines their validity prior to their payment. Even in this particular the secretary of state does not fulfill the duties already imposed upon him by the constitution, inasmuch as a number of the departments and institutions, namely the university, the board of control, the mining and trade schools, and provisional boards, the normal schools, the fish commission, and the Stout Institute, audit their own accounts, merely submitting to the secretary a certified list of their findings.[14]

While this is a practice open to criticism, it is not this form of audit with which we are primarily concerned, but with an audit which contemplates a periodic examination of the accounts of all officers who should be required to keep fiscal records. This is an examination which under our system should be made every biennium and a proper time for conducting the examination would be at the close of the fiscal year prior to the convening of the legislature. At this time the accounts of the previous biennium should be examined and the expenses of the various departments during the fiscal year of the current biennium investigated. Under what charge such an investigation should be placed it is difficult to determine. During the current year the audit has been made under the direction of the Board of Public

[12] *State vs. Hastings*, 10 Wis. 525

[13] Sec. 141–7, Statutes

[14] Report of the Wisconsin Tax Commission on State Finances p.18.

Affairs, but the advisability of establishing this as a permanent practice is open to question. The Board of Public Affairs is a political body and it is advisable to separate such a function as the audit from any manipulation which political officials might wish to make. In England the auditor and comptroller general is, as we have seen, an official occupying a position of independence and responsible neither to the executive nor to parliament. The German and Prussian audits are in charge of boards which occupy a judicial position. The members of these bodies may not hold any office or be members of Parliament or be related to each other. They are regarded as having a judicial character, and must not only review fiscal accounts, but are charged with searching out weaknesses and recommending improvements in the fiscal systems. They report their criticisms to the Bundesrat and to the Chancellor.

The difficulty with an organization for auditing purposes under the control of such a body as the Board of Public Affairs is that the members who actually perform the audit are irresponsible, being employes engaged upon a temporary piece of work. Their tenure of office, salary, and position is regulated by the board which is, as we have said, a political body. For this reason also the recommendations and criticisms of this board will not carry the weight which should accompany a proper audit report. It has been suggested that it would be preferable to employ regular accounting firms to do work of this character, but the difficulty just outlined would only be partially removed by such a course, and the work would be very expensive.

A preferable course would be to organize a special auditing department which should be so far as possible removed from political control and not under the domination of either the executive or the legislature. The work could be organized under a chief holding office for a term of years. He might be nominated by the judiciary in a manner similar to the selection of the revisor of statutes. Preferably, however, he might be chosen by the governor with the assent of the senate, for a period of five years. He should be responsible for the auditing of fiscal accounts of the state and should make his report to the Board of Public Affairs in the manner to be outlined.

In September of the years preceding the legislative sessions, the Board of Public Affairs should sit as a board of audit to ex-

amine the report of the state auditor. By this time the first fiscal year provided for by the appropriations of the previous legislature will have passed and it will be possible to examine the actual costs in each of the various departments and compare them with the estimates submitted by such departments at the time these appropriations were granted. Inasmuch as the Board of Public Affairs is composed of the same members which passed upon the estimates, they are in a peculiarly favorable position to examine the actual expenditures and to determine whether the departments have used the funds allotted them in accordance with the design of the legislature in granting them. The advantage in such a plan rests not only in the fact that a more careful check may thus be secured upon the departments who expend state funds, but this greater control will permit greater latitude with respect to the detail in which appropriations are granted. If there is to be an administrative examination of the actual expenditures it will be possible to make appropriations in lump sums with greater safety. In this way the state may benefit by the experience and judgment of the administrative departments charged with the expenditure of the fund, and at the same time the danger of a misappropriation of funds will be greatly lessened. An efficient administrative check will thus replace the inefficient and cumbersome legislative check formerly made through the appropriations in the budget.

It will thus be seen that the work of the State Board of Public Affairs comprises an entire cycle. Having examined the accounts of the departments in September, particularly with reference to the actual costs of administration for the fiscal year brought to a close, this board will be in an exceptionally favorable situation to pass upon the estimates and requests of these same departments as they are presented some three months later in the form of estimated appropriations for the next fiscal period. From sitting as a board of estimates the Board of Public Affairs becomes reorganized in the legislature, and are members of the body in charge of the formation of the actual budget. Later these same members examine the accounts as they have actually been conducted under the appropriations they recommended and sit as a board of audit. They still later recommend further appropriations for these same departments. This completes the entire course of the periodic operation in the preparation and execution of the budget.

CONTINGENT FUNDS

One of the most difficult problems connected with budgetary practice has to do with contingent funds. Inasmuch as it is impossible to foresee accurately just what the demands will be for the various state services, it is impossible to determine exactly the amount of money necessary to carry on the work of the state. It is important that the estimated expenditure, upon which appropriations are based, come as close as possible to the actual needs. If too little money is appropriated the services of the state suffer, and consequently the government is endangered by a failure to have needed work performed. It has been a popular fallacy that it is safer to err upon the side of smallness in appropriations, and better to appropriate too little to a department than too much. This feeling has grown out of the custom of personifying various departments and looking upon legislative grants as a certain personal favor given the different departments without any particular consideration of the service the department renders the state through the use of these funds. A too meager appropriation is as destructive as too great an appropriation of an efficient governmental activity. The difficulty with too large appropriations, on the other hand, is that the money will be used in an injudicious manner. The more efficient the budget machinery, the closer will estimates and actual appropriations conform to the actual needs. Nearly every appropriating body has elastic elements in its appropriating system. Deficiencies are cared for in deficiency appropriations, funds are created which may be drawn from in case of necessity, or from which it is possible to transfer appropriations to another service.

In the case of new services there is usually a tendency to make an ample appropriation. It is generally difficult to foresee what the actual cost of the proposed service will be, and the prime object of the legislature is to secure an ample fund to take care of the work contemplated. A close analysis of such appropriations would disclose two elements,—the first covering the estimated cost of the service, and the second a certain addition thereto in the form of a contingent fund to insure the actual continuance of the work. If it were possible to confine the service appropriation to this first element and combine all the second elements or

contingent funds into one group, under the general law of averages undoubtedly 30 to 40 per cent of this amount could be saved.

In practically all budget countries contingent funds of some character are made available. In England the treasury has a limited power to provide funds when no grant of Parliament has been made. Three sources of supply are at its disposal,—the treasury chest fund of £1,000,000, the civil service contingent fund, which is always kept to the amount of £120,000, and lastly, it is possible to use incidental receipts not granted by Parliament for purposes sanctioned by the treasury department, a treasury minute being laid before Parliament when needed.[15] In France there are certain chapters in the budget designated each year which may be added to by a decree of the president with the consent of the ministers, and in urgent and unforeseen cases, when Parliament is not in session, the government may by decree not only incur expense called for by the emergency, but may open credits on its own authority, and borrow money as it needs. These accounts must, however, be laid before the legislative houses for approval within the first fourteen days of the session.[16] In Holland each minister has a chapter in his estimates for unforeseen expenses, and this amounts to some 50,000 florins which may be expended with the assent of the person appointed by the second chamber.[17]

Few states provide any contingent funds to make up deficits in any services in case the appropriations granted are insufficient, or to provide for continuing work until the next legislature meets. The state of California has, however, attempted to provide something in the way of a contingent fund. The board of control has authority in certain cases to allow deficits, and when departments have incurred them with the assent of the board of control, a bill is drafted by the board and presented to the next legislature in order to provide funds for these payments. This bill is invariably passed without comment. At the last regular session of the legislature a new departure was made, and an emergency appropriation of $75,000 created for the biennium. This money is to be applied by the board of control

[15] LOWELL, *op. cit.* p. 126
ANSON, *op. cit*, vol. 2, p. 346
[16] LOWELL, *Governments and Parties in Continental Europe*, p. 46
[17] LEROY-BEAULIEU, *op. cit*, p. 58

and the comptroller to meet urgent necessities. Although the constitutionality of this act has been questioned, it has been drawn upon and the arrangement seems to work satisfactorily.

The state of Connecticut made a similar attempt in 1897 to place in charge of a board of control funds which could be used to supplement legislative appropriations. At first no limit was placed to the amount which this board could authorize, and the power came to be greatly abused. Many times public work was authorized by the legislature and a very inadequate appropriation made to carry out the purpose of the grant,—this appropriation being supplemented afterward by action of the board of control. Inasmuch as it was frequently easier to obtain authority from the legislature to do public work where a small appropriation was asked for, it came to be customary to secure legislative authority for the commencement of an undertaking and an appropriation from the board to carry on the work. In 1905 the legislature limited the amount which the board could use in this way to $75,000 a year. This enables the board to increase specific appropriations where the demand is urgent and the work needs to be performed before the legislature convenes.

The constitution of Maryland (article 3, section 32) specifically permits contingent funds being placed at the disposal of the executive, and requires him to report to each legislature upon his expenditures, while, on the other hand, the constitution of South Carolina expressly prohibits such a practice. In the state of Wisconsin little money is provided in the form of contingent funds. The Governor has a contingent fund of $2,000 a year, for ordinary purposes, with a further $2,000 each year for the investigation of conditions or emergencies, or to be used in connection with institutions supported wholly or partly by the state.[18] He has a special contingent fund of $500.[19]

It has been the legislative policy in the state of Wisconsin to grant appropriations of an unlimited amount in cases where the cost of a service could not be foreseen, consequently the necessity of contingent funds as they are used in other places has been less evident. Another practice which is followed in many

[18] Laws 1911, chapter 520

[19] Chapter 654, Laws 1911.

places where detailed appropriations are made is to allow a certain fund for each department to be used for emergencies.

Contingent funds are desirable because this practice makes it possible to limit more closely the amount of money to be allotted to the various departments of the state without jeopardizing the continuance of their services. The difficulty lies, however, in securing a system which will prevent the grave abuses which have so frequently attended such a plan. It has been suggested that the practice followed in California and Connecticut be adopted and that a fund be placed at the disposal of the executive or of a board to be used as the necessities of the various state services become evident. There is grave doubt as to the constitutionality of such a practice, as the appropriation of funds is distinctly a legislative function and one which the courts will examine very critically. Consequently, the placing of a sum at the disposal of the executive or of a board to be used at their discretion raises the question of whether this is not a delegation of legislative authority. It might be possible, however, to make the functions of the board which has charge of these funds broad enough so that any use to which they may properly place this fund will fall within their prescribed duties. If they were required to supervise generally all departments of the state and to coöperate and aid them in their duties the expenditure of money for such a purpose might very properly be looked upon as within their province. A greater difficulty arises with the question of the policy of such a course because of the tremendous power which it centralizes in the hands of those who administer such a fund. Not only is the amount of the fund thus placed in their control, but inasmuch as they have power to reward or punish the departments of the government by granting or withholding this amount, they may be expected to exercise no inconsiderable influence upon departmental policies generally and the use of departmental appropriations. The advisability of such a practice is consequently open to question.

The best solution of this problem lies probably in a more careful consideration of the departmental expenditures. The necessity for contingent funds grow largely from a failure to analyze carefully the needs of the departments for the ensuing biennium. If the departments were required to submit their

estimates in great detail and to plan carefully the use of their appropriation, they would be far less likely to find the year closing with an insufficient amount of money at their disposal. Moreover, if there is an efficient auditing system established which provides for a careful examination of the departmental expenditures in order to keep them as closely as possible within the estimated amount submitted to the legislature, the necessity of contingent funds will be greatly lessened. Contingent funds in too many cases are amounts made necessary by loose systems employed in the formation of estimates and by the lack of foresight and care in the preparation of the budget. It is suggested, therefore, that the best solution for this difficulty lies in requiring the departments to detail their requests with great care, in a careful audit of their accounts to see that their actual expenditures follow the course outlined in their estimates, and the grant of a small contingent fund to each department to be used only for such unforeseen emergencies as could not be discovered at the time the estimates were submitted. The practicality of such a plan will depend largely upon the control exercised through the audit. In addition to this it may be necessary to have a small fund at the disposal of the central board.

DETAIL OF APPROPRIATION

Little uniformity is to be found in the form of appropriation used in the state of Wisconsin. Newer departments usually have lump sum appropriations and the salaries given the various members of their force are not specified by law. Some appropriations go into considerable detail and these as a rule relate to such items as salaries and traveling expenses which are provided for the older departments. A great deal of difficulty has been experienced because of the detail in which appropriations are authorized, providing for manning the staffs of these older departments. With respect to the number of employes in the different departments, many of these laws have not been changed for years, and the work of the department has been frequently doubled and trebled with scarcely a change in the number of persons it is lawful to employ for certain purposes. A case in point is that of the office of the secretary of state. The statutes provide for but one stenographer in this department, but the multiplication of the functions of this office

since this organization was provided has made it necessary to employ some seven or eight stenographers. These are listed as document clerks, as there is no limitation in the number of these to be employed.

A greater difficulty arises with respect to the amount of salary which is fixed by the statutes since the rigid salary system prevents such a promotion as is necessary to secure interest in the work and personal efficiency. When positions of this statutory group are filled, the amounts are usually rather in advance of the salary the incumbent could secure in other pursuits. When, however, the position has been occupied for some time the incumbent becomes proficient in his work and worthy of considerably more money than may be paid him under the statutes, nevertheless, he must continue working at the old figure and consequently loses interest in his work and has no incentive for improvement. A proper method of promotion and advance is impossible under this detailed arrangement.

A second form of appropriations is one whereby a specific sum is granted for a specified purpose. An example of such an appropriation is to be found in chapter 585, Laws 1911, section 3. Another method of appropriation frequently used in this state allows considerable latitude as to its use. For example, chapter 631 of the laws of 1911, makes an appropriation for buildings at the university, the appropriation being used for this purpose in the order of the greatest need, thus leaving a great discretion with the administration with respect to the utilization of this fund. Probably the more common method of appropriation in the state is the lump sum appropriation. Sometimes this is made for each year specifically, as is the case with our charitable and penal institutions, (chapter 585, laws 1911), sometimes it is for the biennium. Usually, however, the appropriations are made in a lump sum which is available annually.

With respect to the balances of unused appropriations, no uniform practice is followed. In some cases unexpended balances revert to the treasury at the end of the biennium, as is the case in section 373i of the statutes. Other departments are allowed to carry over unexpended balances into the next fiscal period. The difficulty with the first plan is that too little room is left for administrative discretion which should mean econo-

mies, and there is a constant tendency to waste money which might otherwise remain unexpended at the end of a fiscal period, and so revert to the treasury. Consequently many ill-advised expenditures are made at the close of the fiscal year upon the theory that money thus left and unexpended is lost to the department, and consequently any use to which it may be put, even though not essential, is preferable to its entire loss. Such a practice is an encouragement to extravagance and amounts to considerable loss when the entire services of the state are considered. It is the usual practice in foreign countries to make appropriations in greater detail than is to be found in this country, but the estimates upon which these appropriations are made are far more accurate forecasts of actual needs and methods are at hand, as has already been pointed out, to care for services which have been inadequately provided for. The practice in Congress is to vote sums in considerable detail, but this custom should operate as a warning rather than as a model in fiscal legislation.

It is customary in cities to have a body which sits almost continually, with power to appropriate funds, either from contingent funds, or to provide in some other way for services when it is evident that they are in need. The state legislature meets but once in two years, and the consideration given appropriation bills occurs late in the session. When the appropriations are made in some detail it is difficult to change items from one service to another, or to increase an inadequate appropriation for any purpose. It has come to be a practice in the cities to allow the transfer of items from one service to another. With the smaller class of appropriations a transfer upon the authority of the head of the department is usually allowed, but with the larger classifications it is customary to require the assent of the council or of the board of estimates or of the comptroller to effect such a change. Some foreign countries also follow this practice. The difficulty with detailed appropriations lies in the fact that the most available sources of governmental economies are thus cut off. The administration which has charge of the actual expenditures is in a better position to know the needs of the various branches of its services than is the legislature, but when the legislature assumes to specify the purposes for which each of the various amounts shall be used the discre-

tion and judgment of the administration is put to too little use. Moreover, there is a division of responsibility between the administrative head in charge of formulating the estimates and appropriating the money, and the body which actually legalizes the appropriation. Consequently there is no power in their hands to effect economies in the expenditure of these sums.

An interesting plan for departmental appropriations has been worked out by President Taft's commission on economy and efficiency, as outlined in their report. [20]

It is here suggested that appropriations be made in lump sums to a far greater extent than has formerly been the case. The advisability of departmental budgets and the necessity for a plan in fiscal affairs with respect to the conduct of each administrative fund are, however, recognized. It is consequently suggested that as soon as appropriations are passed, the head of each department shall file a budget in considerable detail which will be as controlling upon the treasury in authorizing payments as though made by statute. Should it appear, however, that a change in these estimates is advisable it should be within the province of the administrative head to make such changes in his budget estimate as he sees fit by filing a new schedule with the officer in charge. This method necessitates the formation of a department plan and gives full publicity with respect to the program of each department. For our purpose it is recommended that the estimates which must be submitted from the departments prescribe in great detail the purpose to which they contemplate putting the requested appropriations. It is essential that each department be required to make a plan with respect to its appropriations. Great economies are possible in this way, and a scientific budget can only be made if the elements which compose it have been thought out clearly. Just as it is necessary that the state have a fiscal plan and know for what purpose it proposes to make expenditures, so each department should submit for examination the detail supporting its request. If this is done the danger will be greatly minimized of arriving at the end of the biennium with insufficient funds

[20] Section 21. Report of the Commission on Economy and Efficiency on the subject of the Need for a National Budget, June 27, 1912; 62d Cong. 2d session; Doc. No. 854, H. of R. pp. 210–213.

to carry on the services, and the necessity for providing contingent funds for unforeseen expenditures will be less evident.

Appropriations, however, should not be made in too great detail, and in general lump sum appropriations are to be encouraged. When, however, there has developed any general legislative policy with respect to the appropriation of any department, and a clear opinion has become formulated, it is entirely proper to include in the appropriation such a mandate with respect to service to be included or charges which the legislature prohibits the administrative department from making.

As soon as the appropriation has been made it would be well to have the department submit a plan for its use. If the appropriation has been made practically in the form in which it was requested, the plan of the department should follow very closely the estimates submitted and upon which the appropriation was passed, modified by any new evidence which has developed in the meantime, as to future needs. If the requests of the department have not been complied with, this may necessitate a serious modification in the departmental plan of appropriation, and it is important that the department consider the services which it contemplates undertaking during the next biennium, and so shape its program that it can accomplish its end under the appropriation which the legislature has granted. This plan, when outlined, should be filed with some public officer, such as the secretary of state, subject to change upon the part of the administrative officer as new needs develop. In the meantime the program and the changes are open to the inspection of the public, and more particularly to the Board of Public Affairs which has had charge of making the original appropriation, and which must later examine the expenditures which the departments have made under their appropriations, and later the estimates for new grants.

Under such a plan it would be entirely legal for a department to expend money for a purpose which is not contemplated at all, either by the department in asking for the appropriation or by the legislature in granting it. In this way unlooked for expenses can be taken care of and emergencies met. On the other hand, the danger of abuse is greatly lessened because the administrative officer in charge is directly responsible for the way in which he expends the money placed in his charge. He is given power

to use the money as he sees fit, but he is held accountable for the manner in which he exercises his discretion. There is thus an incentive held out to each department head to conduct the affairs of his office with the most economical and business-like methods, and he is unhampered by legislative restrictions which will force him into methods with which he may be out of sympathy, and which have been formulated by those entirely unresponsible for the administration of his department.

With respect to the departments headed by political officers who will not be re-elected, the control will be weaker since there is less incentive for these officials to make a record before the board of estimates to support their evidence with respect to new appropriations. In this respect, however, it should be borne in mind that the number of elective officers is becoming constantly fewer, and that these officials generally have a personal reputation at stake and so desire to manage their offices in as business-like a manner as possible.

DEPARTMENT SUPPLIES AND FURNITURE

It is the present arrangement in the state of Wisconsin to have all office supplies and furniture purchased in a central office under an official designated as the Superintendent of Public Property. These supplies are issued to the departments upon requisition. The departments are unlimited except by the discretion of the superintendent with respect to the amount or character of the supplies they utilize, and the Superintendent of Public Property has an unlimited appropriation for the purchase of supplies. Under this system there is a lack of incentive for economy, inasmuch as the department using the supplies has nothing to gain by lessening their expenses in this particular and the superintendent of public property has generally but a ministerial function to secure such material as is requested. From the standpoint of purchasing this matter is well taken care of, inasmuch as the central method of making purchases conforms with the best practices and experience. From the standpoint of the budget, however, this system leaves much to be desired, not only because of the lack of incentive for economies already mentioned, but because it is practically impossible to estimate the expenses for these services. Consequently they form an element upon the expenditure side of the budget for

which it is impossible to make any adequate provision upon the revenue side.

It was suggested by Mr. James in his report on state finance, and by Mr. Sands in his report to the joint committee on finance of the legislature of 1911, that this plan be changed in favor of a method which would make all supplies issued to a department chargeable against the department's appropriation, and that the superintendent of public property merely act as a purchasing agent to secure these supplies. It was thought that there would be in this way an incentive toward economy. It is not important, however, that the appropriation be charged against the department. The essential thing is to secure a method which will provide for an economical use of this material and also allow an estimate of the amount to be consumed during the next fiscal period. This is entirely possible under the present system, providing the departments submit with their estimates of the cost of maintaining their department for the next biennium an estimate of the amount and expense of the supplies they will need. The sum total of these supply requirements would constitute the amount which should be provided for by the superintendent of public property to fulfil these requisitions, and it is unimportant whether the cost of these supplies be charged against the various departments or against the appropriation of the superintendent of public property. It should be within the power and discretion of the superintendent of public property to limit the amount and character of supplies available for each department,—otherwise he might have an insufficient amount available for their purchase. The advantage of such a plan as having these charged against the department of public property rather than against the several departments lies in the elasticity which is permissible in this way. If the supplies are to be charged against the various departments each department must make a maximum allowance, and the difference between the actual and the maximum amount will be in the form of a contingent fund. If all of these contingent funds are available in the office of the superintendent of public property, it is quite probable that the sum and total used would be considerably less than the sum of the maxima, and this saving might accrue to the state.

The important consideration with respect to both departmental supplies and printing, is that there be a central purchasing agent (which we already have), and a method of estimating before the appropriation is made, just what each department will need during the biennium. The appropriation for each department is under this system actually to be found in two places, —the departmental appropriation proper and the authorization to the superintendent of public property to supply the department with supplies. These parts should be grouped in the departmental estimate which is presented for consideration to the board of estimates and to the legislature. Whether it is actually contained in one place in the statutes or in several places, is relatively unimportant.

WHAT MAY BE EXPECTED OF THIS PLAN FOR A STATE BUDGET

The plan which has just been outlined is new. As a whole it has never been tried out, although nearly every part included in it follows long accepted principles of public finance. It is not expected that it will work with the perfectness attendant upon the English system, inasmuch as we do not have the centralized authority and responsibility from the time the appropriations are planned through their adoption and actual expenditure. There is, however, here provided a plan whereby all members of the legislature have full knowledge at all times of the fiscal situation of the state, and sufficient information to base their plans before any action or judgment is required of them. Full control is thus given them at all points with respect to fiscal transactions,—an advantage not found in any American budget practice. In addition, the experience and judgment of our most highly trained specialists—those who actually administer the affairs of state in the various departments—is brought into use to the fullest extent.

This plan has been built around the present Wisconsin plan. Political institutions develop slowly, and the experiment of trying to install untried and sometimes unanalyzed methods which apparently work with satisfaction elsewhere, in a community entirely unfamiliar with their practice or with the principles upon which they are based has not, as a rule, been attended with any satisfactory results. It is difficult to foresee how political institutions will develop and consequently it is

safer to build slowly and erect a constructive plan which will allow modifications to meet necessities which arise. This plan will be objected to because it centralizes too great power in the finance committee, but a careful analysis of the present situation will disclose that this committee, and the chairman in particular, has already as full control as he will have under the plan which is here advocated. The finance committee and the chairman dominate the fiscal program of the state. At present the bills are reported at so late a time in the session and at a time when other members are so busy that the consideration which can be given them by members of the legislature at large is entirely inadequate. The work of digesting them and fitting them into a fiscal plan for the state can be done only by those who have the matter directly in charge, and the matter is so complicated that when the committee determination has once been reached, it is almost impossible for a private member to secure sufficient information to successfully challenge their position.

In fact, throughout the United States it has come to be the practice to accept the report of the finance committee practically in the shape in which it is reported. Sometimes this is due to the manipulation of the finance committee, at other times it is done by reporting the finance bills at so late a date in the session that they must be accepted practically as reported out. Whether unintentional or not, the consideration of finance measures has become so intricate that the private member is entirely helpless in his effort to cope with the countless details. The power given the finance committee under this plan is centralized and legalized in certain officials who can be definitely recognized.

It has been the difficulty with our political institutions that we have endeavored to prevent the localization of power, consequently those who nominally have authority must give way to those who are in actual power and who are entirely irresponsible. The political leaders have been the party chiefs rather than the nominal heads of the government chosen by the elector. Such power as is given this committee is placed upon those who are definitely known, and the responsibility can be more or less clearly located.

Moreover, there are certain advantages to be found in this plan which greatly increase the power of the individual member over the fiscal measures, and actually make his control

greater than at present with respect to fiscal legislation. Inasmuch as this plan contemplates that the private members and the public at large shall be kept at all times fully informed of the fiscal conditions of the state and the plans with respect to the budget, public opinion can be focused upon the various aspects of the budget and can make itself felt so as to have a determining influence upon the final shape it shall take. With respect to the actual vote upon the budget, the plan here outlined contemplates the reporting out of the bill sufficiently early in the session so that the members can familiarize themselves with all the details pertaining to it, and it will be possible to present their criticisms and suggestions for a change with sufficient knowledge of how the proposals they make will affect the various phases of the fiscal program.

The importance of budget control cannot be overestimated. The question of the preparation and consideration of the budget has received far too little consideration, especially by those who have been students of governmental institutions. The science of budget making is new. What consideration has been given this subject has been chiefly on the part of those who are interested in it from an accounting point of view. The work here done, especially in the cities, in clarifying public accounts has been of an exceptionally valuable character. It has been weak, however, in that as it has sought to work out a record of actual fiscal transactions rather than the shaping of a plan of public policies with respect to these matters. Moreover, this work has been done by those who are unfamiliar with the actual practice in political institutions or with the political theories upon which government rests. They have not learned that the treatment of fiscal matters is a means rather than an end in itself, and consequently they have failed to contribute what might otherwise be expected to the science of efficient budget making.

Those who have been closer students of public affairs have centered their recommendations jointly around an attempt to centralize responsibility and power in the office of the governor. Many have openly advocated the adoption of the English Parliament form of government. There is much to recommend such a practice, but the adoption of the cabinet system in this state would involve many fundamental changes in our political organizations which must be made slowly. We cannot expect to change

in toto our political organization. The plan of having the power centralized in the office of the governor is not without limitations. It must be recognized that the power to appropriate is primarily legislative, and that the jealousy existing between the executive and legislative branches is always very great.

Many criticisms of the fiscal conditions of the state have been justified, not because of exorbitant expenditures, but because a system of accounts has been in use whereby it is impossible to know what our expenditures are for any of the services of government, consequently appropriations have been made with entirely insufficient information of actual needs in the various departments. Even the departments have been ignorant of the actual cost of maintaining, upon an efficient basis the services for which they were organized. The plan which we have proposed for budgetary consideration is not an ideal one, but is shaped around the present system in use in this state. If the cabinet system should be introduced in this country this plan is not merely adaptable to such an organization; it will encourage its introduction. The political corruption which has attended the passage of appropriation bills in our American states and in congress will be greatly lessened by such publicity and control as this plan provides for, and under this system real economies in the state may be expected, not a nominal economy which is attended with small and lessened expenditure of government, but actual economies which may mean greater expenditures for certain services which will make manifold returns in actual service rendered. This plan will permit not only the members of the legislature, but the people at large to have a full knowledge at all times of the plan of those to whom they have entrusted the administration of the state with respect to appropriations and expenditures. The knowledge of the actual necessities for the maintenance of public service essential in any democracy is thus provided.

CHAPTER II.

THE CONTINUING APPROPRIATIONS

There is no more important question connected with budgetary practice than the problem of the period for which the appropriations should be made. There is little uniformity in the systems in use in this country. The processes of voting grants have not been the result of carefully thought out plans, but have more frequently grown out of usages which developed with new political organizations. The importance of accurate and clear public records has not been sufficiently appreciated in this country and public accounts have, as a rule, been merely designed to protect the public official against charges of embezzlement.

The necessity of discovering the actual cost of public activities and of shaping future policies upon records of past transactions, has not until recently been appreciated, nor has it been seen that it is as essential to have records of other forms of property as it is of cash. Consequently, the accounts which have been kept by public officials are far from accurate records of actual fiscal transactions. Public service has been looked upon as a means of private emolument and those who have had charge of public enterprises have not been thought of as rendering service commensurate with their receipts, but as leeches who have attached themselves to the public treasury. As an outgrowth of this view it came to be the function of the representative body to curtail, as much as possible, public expenditures and to look upon them as personal grants to those who had charge of these expenditures. With the evolution from the spoils system we are coming to look upon appropriations as but fair compensation for actual services or materials rendered. The last few years have seen a marked change in our attitude toward public finances and our understanding of the intricate questions involved therein. Due largely to the growth and development of an accounting profession, we have experts trained to think in fiscal terms. Until recently these authorities have confined their efforts almost exclusively to commercial activities, but lately public service has received their attention. First in the cities and latterly in the state and federal government, we are beginning to understand and apply accurate and adequate systems in our fiscal procedure.

An essential feature in any accounting system is a periodic closing of the books, and a summation and review of the accounts. Inasmuch as our city councils usually operate upon a yearly program and some of our legislatures sit every year, it has become a part of the usual accounting program to have appropriations made for an annual period, and as the appropriation is the genesis of the fiscal system, there has naturally come a strong incentive to have all appropriations voted for one year. Since most of our state legislatures, however, meet but once in two years, an exception has been made in these cases and the biennium has been considered as the proper fiscal period.

The customs which have grown up in the various states do not all conform to this plan. Many of the states have appropriations which run by statute until specifically repealed. This is the case in Wisconsin, and probably no other commonwealth has so large a proportion of its appropriations in force by permanent laws. This system has been the source of attack by many who recognize defects in our present system of public finances, but the advisability of revising our budgetary method in this respect is open to grave doubt. Before attempting any change, it would be the part of wisdom to examine somewhat critically the procedure used elsewhere and such an investigation presents little evidence tending to show that a biennial appropriation plan would add anything but confusion and corruption to our fiscal plan.

BRITISH SYSTEM OF APPROPRIATION.

For a proper starting point in the investigation of budgetary methods, it is always advisable to examine that model of financial administration and government, the British parliamentary system. Here we find appropriations falling into two main classes: first the annual recurring appropriations, and second, those which run by virtue of permanent statutes. In this latter way grants are provided for such purposes as it is desirable to remove from annual discussion and debate, particularly those services which should be free from partisan politics. The interest on the public debt, the civil list of the King, judges' salaries, and the support of various officers and institutions of this character are supported in this way.

Some three-fourths of the British appropriations are made in the annual appropriations bill which is submitted by the cabinet

and passed yearly by Parliament. It is important, however, to observe the distinction between the annual appropriations in such a country as England with its parliamentary form of government and in a country with a congressional form, as in the United States. It will be remembered that in England the budget is formulated by the minister of finance, is discussed by the cabinet and presented as a government bill. Upon the passage of this measure as upon other government measures, the government stakes its life.

The British government is based upon the theory that the cabinet represents the leading thought of Parliament and when this ceases to be the case, the "government" must resign in favor of one which commands the assent of Parliament. The safety in the annual system of appropriations in England rests in the responsibility of the government. They, as the administrative heads of the various departments, are familiar with the needs of all government services and the departmental estimates embody these requirements. It is their duty to see that the program adequately cares for all governmental services, and such services for which no appropriation or inadequate support is provided, suffer at the hands of a government which will be made to bear responsibility for their act. Consequently, such a system as we have in America, where, by party politics or log-rolling campaigns, the appropriations for any service are curtailed without the fixing of a definite responsibility for such action, is entirely impossible.

SYSTEM IN OTHER COUNTRIES.

The same course is pursued in the British self-governing colonies, notably in Canada and the annual systems of appropriations here found are not at all comparable to the so-called "budget system" as it exists in the American states. In other European countries the system of continuing appropriations is less frequently met with, but we have in all monarchial countries a responsible government which can take charge of all services and which is commissioned to provide for them. It is a general European rule that should the legislature adjourn without making adequate provision for the support of all governmental activities, it is the duty of the officials to see that these services are continued in accordance with the budget of the previous

year until adequate provision for them can be made. This is done through borrowings or the use of such contingent funds as may be available for this purpose. It is the presence of responsible government which removes the system of annual appropriations from the precarious position which it occupies in the United States. The German army is supported upon a seven year basis in order to remove this part of the governmental service even more completely from political manipulation. In Switzerland, it is true, the cabinet exercises a function quite different from that of the British government, but inasmuch as the legislature is in almost continual session, the difficulty of an adjournment without adequate provision for the necessary services of the government is rarely met with. In but two instances has the fiscal year closed before the budget has been passed, and in both of these cases provision was made for continuing the old grants until new supplies could be voted.

With respect to France, the situation is less fortunate. It is customary in that country to vote annually both revenues and expenditures and the budget plan is further complicated by the necessity of submitting estimates some eighteen months before the appropriations are available. The difficulty here experienced with respect to appropriations should serve as a warning to those students of American finance who have argued for the annual plan. Not only are the services of the French government placed in jeopardy every year pending a renewal of their appropriation, but the consideration which the legislators give the budget is wholly inadequate. The desire for complete control over every portion of the expenditures defeats its one purpose inasmuch as they are required to give attention each year to regular and recurring appropriations which they must eventually pass. Consequently new services which should be scrutinized with the greatest care, receive inadequate consideration.

The situation with respect to annual appropriations in the United States is even more precarious because of the absence of a ministry with even such power as is lodged in the French council. A review of budget systems abroad shows no evidence that the mere annual passage of all appropriations gives the proper budget control. Where the annual system is in vogue with satisfactory results, there is invariably found the respon-

sible ministry which will take charge of the budget in all stages of its consideration and supply funds for state services in case the legislature makes inadequate provision for them. Even here closest students of budgetary practice advocate the British system of a two-fold budget, whereby permanent and non-political services are charged against the consolidated fund.

CONTINUING VERSUS ANNUAL APPROPRIATIONS.

It would be inaccurate to assign any single reason for the development of the system of annual appropriations as it exists in some of our states and, for the greater part, in congressional procedure. Probably the chief cause has been a distrust on the part of the legislature of the executive. This feeling has existed since the earliest times when the king summoned Parliament only for a grant of revenue and it became necessary to limit the periods for which supplies should run in order to insure a periodic session of Parliament. The fear of executive tyranny has always exerted a strong influence on the shaping of our political institutions and policies, and is to be found particularly in a consideration of our methods of budgetary procedure. Later, with the greater extension of constitutional provisions, we have come to limit more and more closely the independence of our legislatures and many of the constitutional limitations have their origin in a fear of the legislative body itself.

Among the more frequent constitutional restrictions to be found in the various states are those specifying a general appropriation bill which shall contain only provisions for the ordinary expenses of government, and sometimes services already established by law. All other grants must be made by separate and independent acts. This limitation is aimed at the log-rolling tendencies frequently found in our American legislatures. A more restrictive feature, however, is found in the constitutional inhibitions now found in 10 states[21] prohibiting the passage of appropriation bills where the amounts carried shall not be expended within a period of two years or possibly thirty months after their appropriation. This provision, of course,

[21] Arkansas, Connecticut, Illinois, Kansas, Louisiana, Mississippi, Missouri, Ohio, Oklahoma, Virginia.

makes continuing appropriations, except by virtue of mill taxes, impossible. But the purpose of incorporating this provision into the basic law was possibly not only a fear that appropriations would be made for an interminable period but that a difficulty experienced in France and to a very considerable extent in Congress would develop, namely, that authorizations would be made for grants for the construction of certain works or to undertake certain services which would be available until expended. Great difficulty has been met in France and in the United States with respect to appropriations of this character because these accounts must be kept open until the expenditures have been made and it is impossible to state definitely what will be the demands upon the treasury for any fiscal period. The authorization of expenditure has been made, but it is impossible to tell at what date the appropriation will be called for. It may have been to eradicate this difficulty as much as to ensure a biennial review by the legislative body that this constitutional restriction came to be inserted so frequently in our American basic law.

Those who have urged a system of a limited time during which appropriations should continue have usually urged the following reasons in support of their contention,—first, that the appropriation may be called to the attention of the legislature and through them to the public at large at frequent intervals; secondly, that appropriations may be definite in amount and consequently more easily computed; and thirdly, that the popular control over appropriations may be increased. These criticisms have generally been aimed against real evils in our budgetary system. The question is, however, whether or not the adoption of an annual appropriation plan is the best remedy. There can be little dispute over the necessity of a frequent periodic review by the legislature of all fiscal grants, and since the legislature convenes in the greater number of states biennially, this review should be had at this time. Such a review, however, is not a peculiarity of the annual plan, but is embodied in every adequate fiscal program.

The English cabinet and Parliament review not only the annual grants but the charges upon the consolidated fund as well. It is a popular fallacy that an adequate review is possible only upon the making of an appropriation. It is just as feasible to

make the review in the form of an audit and periodic examination as it is to consider it as an appropriation which must be renewed. The fact that the House of Commons has practically but the power of assent with respect to the British budget does not lessen in the least the scrutiny with which they review appropriations.

To come to a proper understanding of the relative merits of the annual or permanent system of appropriations, so far as the question of frequent attention on the part of the legislature is concerned, one has only to compare the English method with the French or with the plan in operation in Congress. Under the English system all grants are submitted to Parliament for review, and discussion centers on matters of questionable policy; new services which are to be inaugurated, or unusual amounts to be expended for institutions or services already established. Attention is acutely directed toward the debatable portion of the budget and scant time and consideration is given matters which must eventually be voted in practically the form submitted or where the examination upon full information submitted by the cabinet shows there is little ground for controversy.

With respect to the French and American congressional system, however, endless time is taken in a discussion of the ordinary appropriations which come up year after year and must eventually be granted practically as submitted. So much consideration is given these matters that little time remains to devote to the new projects or the more exorbitant increases which may be found in other portions of the budget. The budget consideration in these two parliaments consumes so much time that there is scarcely opportunity for the attention which should be directed toward other matters of legislation. In the short session of Congress, little is done beside passing regular appropriation bills and both countries have the undesirable method of passing some of the most important pieces of legislation as riders upon the appropriation bills.

Considerable agitation has been aroused throughout the country of late over the question of a short ballot and it has at last been recognized that to center attention upon a few important candidates gives the elector a greater control over the government than a dissipation of his energy over many men with respect to whom his judgment at best is of little value. The

same principle holds true with respect to the legislative consideration of appropriations and it is an important element in a satisfactory budget plan that it directs the attention of the legislature towards those matters of the gravest importance.

There is just ground for criticising the method of considering appropriations now in vogue in most of our state legislatures where the continuing plan is in operation, because there is no opportunity for the legislature to consider these appropriations. The laws once passed, rest concealed in the statute books so far as the legislature is concerned. No adequate accounting is presented and appropriations once made can usually be relied upon to run on indefinitely with scant examination as to the need of their continuation.

In Wisconsin appropriations of this character are found not only in laws specifically making appropriations, but in laws making a charge incidentally upon the public treasury. These, under our statutes, constitute an authorization for payment and it is almost impossible by reading the statutes to determine what are and what are not appropriations. It is for this reason that the present system is criticized and a method whereby appropriations must be made periodically is demanded. The object sought to be attained is desirable. The question arises whether the annual plan of appropriations best answers the purpose.

With respect to appropriations which are indefinite in amount or which cannot be easily computed, there is little in the system of annual appropriations itself which would improve the present system. It is true that there are in the statutes authorizations for expenditures where the amount may not be definitely determined or if determined cannot be known without a computation. This, however, is a feature which could exist equally well under the annual method except that there would be less likelihood of appropriations being made in this manner and left indefinitely in the statutes. The only form of permanent appropriation which is indefinite in amount and is to be found under the continuing plan only, is the system of mill tax appropriation. This will be discussed later.

The strongest argument for the annual appropriation plan is developed around a theory calling for an increased popular control over appropriations. This, however, rests upon an imper-

fect understanding of our actual method of government. The function of the legislature with respect to appropriations is not so much one of initiation as of direction and control. After the accounts are placed before the legislature and there is an opportunity for a review and action based upon such criticisms, popular control can be as readily secured by an affirmative as by a negative act of the legislature. The legislature is our popular assemblage and it has full power at all times over all laws. It may repeal laws as easily as it may pass laws. The only question which can arise, therefore, is whether the passage or the repeal of a law is more in accord with the popular will. It is argued by the proponents of the annual plan that the legislature will provide for all services popularly demanded and that others must fail. The argument will read as well the other way and the legislature may just as well be relied upon to cut off appropriations which the people no longer wish to make. It may be objected to in this, that this is an incomplete control because of the veto power of the governor, but this power can operate against the making of an appropriation just as easily as against its abolition and the only criteria we have upon which to determine whether this emphasis should be placed upon the continuance or of the abolition of an appropriation lies in the emphasis we wish to place upon a continuance of old grants. If it is to be assumed that grants once made for permanent policies must be financed as long as these policies are to be pursued, it is proper to have the appropriations for these grants run as long as the services themselves, and we gain nothing in popular control by a system which requires policies even of a permanent character to be supported at each session of the legislature.

It takes but a small minority to block an appropriation. A slight majority in one house can refuse a grant for a service which the entire lower house, part of the upper house and the governor earnestly desire. This is a minority rather than popular control. The theory that the annual system of appropriations increases the control of the people over appropriations harks back to the time of the limited appropriations for royal services and has no place in our modern legislative systems.

Frequent comparisons have been made of late between governmental work and that of a business enterprise and although there are well recognized differences between them there are

many points of similarity. It would be impossible to conduct any industrial enterprise upon such a policy of temporary planning as the limited method of support implies. Every large project must have a design carefully thought out and running through a period of years and in order that a plan may have permanency it must have a method of support which is not likely to be interrupted at frequent intervals.

The adoption of public policies is the function of the legislature and it is a duty which is usually carefully considered. New projects of law usually receive the most careful attention and if they are of any size or proportion are usually entered upon only after some years of preparation and planning. When these laws have been passed it is because they have received the assent of each house of the legislature, acting separately, and the approval of the governor and if they have been so accepted as permanent policies it should be impossible to cut them off by any less formal act. The annual method of appropriation, however, falls into precisely this error inasmuch as it is competent, as we have stated for a small majority of either house or the governor to cut off financial support and consequently change an important policy of the state. Illustrations of such practices are constantly recurring. The existence of the federal civil service commission is threatened almost annually, not by the repeal of a law for which there would be little hope of success as the sentiment of the country and of Congress if overwhelmingly in favor of civil service, but by a small crowd in one house temporarily securing sufficient power to jeopardize its fiscal support. It requires constant lobbying and agitation on the part of the friends of civil service to protect it from such an attack. In the state of Colorado the civil service was absolutely abolished at the last legislature merely by a failure of the legislature to vote it supplies.

Whatever may be our opinion with respect to the commerce court and the desirability of its continuance, assent will readily be given to the proposition that, having reorganized our judicial system to provide for this tribunal and having definitely embarked upon a policy which calls for this body in our judicial system, it should not be within the province of a majority in but one house of Congress to absolutely change our judicial organization by merely refusing it support. The proper course

is to pass an affirmative act of repeal reorganizing our judicial system in accordance with the will of the majority in Congress. When the state has embarked upon any policy of a permanent character and has established a course by law, it is to be assumed that this course will be maintained until the law is repealed and the act of repeal should be one of like formality with the one originally inaugurating the policy. No plan should be favored which places it in the hands of a small portion of the legislators, frequently representing no faction or policy in state government itself, to jeopardize its continuance. This is no new theory, but has been recognized for years by the greatest authorities upon government, particularly with respect to the isolation of the judiciary from legislative control. To quote an eminent authority:

"It would be in vain to declare that the different departments of government should be kept separate and distinct, while the legislature possessed a discretionary control over the salaries of the executive and judicial officers. This would be to disregard the voice of experience and the operation of invariable principles of human conduct. A control over a man's living is, in most cases, a control over his actions. The constitution of Virginia considered it as a fundamental axiom of government, that the three great and primary departments should be kept separate and distinct, so that neither of them exercised the powers properly belonging to the other. But without taking any precautions to preserve this principle in practice, it made the governor dependent on the legislature for his annual existence and his annual support. The result was, as Mr. Jefferson has told us [22] that during the whole session of the legislature, the direction of the executive was habitual and familiar. The constitution of Massachusetts discovered more wisdom, and it set the first example in this country of a constitutional provision for the support of the executive magistrate, by declaring that the governor should have a salary of a fixed and permanent value, amply sufficient, and established by standing laws." [23]

"This power to deprive a public officer of his salary for a stated term ought not to be lodged in a single branch of the legislature to such an extent that during a period of great political excitement, or through party rancor, or dislike of an official, by failure or refusal to make an appropriation for his salary, he might be singled out and shorn of the remuneration for his labors for a term or a portion of his term, in flagrant disregard of the constitutional provision securing him a definite and fixed salary, to be ascertained before he accepted the office. If a case arises where an officer has been derelict in his duties, or

[22] Notes on Virginia, 127.
[23] Kent's Commentaries, Vol. I, p. 282.

guilty of malfeasance in office, the methods prescribed by the organic or statutory law to secure his displacement or punishment should be pursued. If his salary cannot be diminished during any portion of his official term, it certainly cannot be withheld for a certain portion of his term by failure to provide at each session of the legislature a sufficient sum to pay his salary, already fixed and appropriated by law. To hold otherwise is to say that the legislature, or one branch of it, at one session, may by nonaction suspend the operation of a public statute providing that an officer 'shall receive' a certain, definite, and fixed salary, to be paid by the treasurer of the state, and thus deprive the state of his services, and in effect abolish the office, when it is created, and the compensation of the officer fixed, under a constitutional mandate. To grant this is to make all officials mendicants upon the bounty of the legislature, whenever that body meets and to reduce the other departments of state to a condition of vassalage to one department,—a state of affairs abhorrent to the constitution, and in palpable violation of many of its express provisions."

One of the most serious aspects of the annual plan of appropriation has to do with its effects on institutions designed to be permanent and which should preferably be free from political control. In our American states the questions involving the method of support for our universities and educational institutions form one of the most important aspects of this problem. These institutions usually require a large portion of the revenues of the state. They are intended to be permanent and consequently need an isolation from political controversy to develop their work to the best advantage. For the proper development of any institution of this character a certain permanency is essential, not only with respect to the educational policy to be followed, but with respect to the growth and development of the institution as an enterprise. When, however, they are financed by methods adequate only for the support of some temporary enterprise, such as an exposition or a fair, serious consequences result. It is a wasteful system which necessitates planning year by year in lieu of a constructive planning for a period of years. It should be possible to have such a fiscal system that needs could be contemplated years in advance and buildings, ground and equipment provided to meet these requirements as they develop. Any business enterprise would follow such a plan, it is the only safe business method.

Under the plan in use in many of our states not only is it impossible to determine what buildings and equipment may be

expected for these institutions from year to year, but it is even open to question whether or not proper support will be provided for the institutions as they already exist and resort must be had to constant lobbying to protect even their usual income. This hampers not only the growth and proper development of the institutions but their current work. Work of a scientific character cannot be done to advantage without some permanency, nor should it be necessary to report at periodic intervals upon actual results attained. Scientific work must often be done for years before results are obtained and the progress made in scientific investigations of this character has been possible only because of those who have had a faith in the ultimate returns from investments of this character. If the continuance of any work is to be jeopardized from year to year, little can be looked for from public institutions from the standpoint of scientific work and investigation, and we will have to rely more particularly upon private endowment for this work which is predominantly of a public character.

A more important indictment against this plan, however, lies in the fact that it places control of the institutions in the hands of a minority, inasmuch as but one clique if it constitutes a scarce majority of those present in one house absolutely dominates the situation. The large appropriations are those for the support of these permanent institutions and policies and consequently there is a strong temptation to attack the appropriations because of their size, irrespective of the use to which appropriations are put. We have not yet reached the point in public finance where we value public services from the standpoint of their merits and grant appropriations for such purposes as will return to the state the greatest ultimate gain. There is a constant tendency to prorate appropriations among departments upon a numerical and geographical basis rather than to note the value of services and measure appropriations upon such a standard.

But the most serious difficulty with respect to the annual system of appropriation for public institutions is the tendency to place the control of these institutions in the hands of politicians. It will be contended that an attempt to cut off appropriations from institutions will be infrequently resorted to. But instances of this character arise almost yearly. The experience

of the University of Oregon with the annual appropriation under the referendum system has been anything but happy. Every request which has come up during the last few sessions of the legislature for increases in their appropriations has been subject to a referendum petition. It will be noted that under this system five per cent of the electors of the state can, by filing a petition, present to the electorate at the next general election the question of the support of the law. Pending the approval of the people at this time, the law becomes inoperative. It will thus be seen that a small portion of the people have it in their power to cut off support for this institution for a period of nearly eighteen months, even though the sentiment of the state may be overwhelmingly in favor of its support. Not only is the institution required to run without funds for a considerable period of time, but it is thrown almost biennially into inconvenience and the cost of an expensive campaign. This keeps this institution almost constantly in politics and although the support granted it has been notably inadequate, the fear that its entire appropriation will be reduced in this way has had an effect of intimidating it from requesting the support which it most seriously required.

It is a fact which students of governmental institutions have frequently noted that the corruption which has attended our political assemblages has centered uniformly around the control of the public purse. The use of public funds to control public policies has been constantly resorted to and log-rolling tendencies, although always manifest in legislative bodies, are particularly evident with respect to appropriations. It is the function of an adequate budget plan to analyze the cause of these tendencies and to reduce them so far as possible. It has not been sufficiently realized that the question of annual appropriations has a bearing upon political corruption, since avenues of attack upon all institutions and all policies are under this system constantly open. All reforms are thus placed upon a temporary basis. A civil service commission law, for example, passed with considerable effort and expense, and possibly only after a protracted campaign, lasts for but two years because it is then possible for a small portion of the legislature to cut it off by limiting its appropriation. A similar fate might attend the Railroad Commission Law. The Corrupt Practice

Law might be defeated in a similar manner or the conservation policies of the state might thus be jeopardized. As we have pointed out in our discussion of the effect of annual appropriations upon state educational institutions, these departments will be constantly forced into politics to protect their very lives, and where the annual system of appropriations is most prevalent, particularly in the western states, the policies of the institutions are largely shaped by an effort to minimize the attack of political forces.

The English have recognized the necessity for keeping the judiciary free from legislative control and this is a matter with which our most eminent jurists agree, but the same principle is equally applicable to other institutions, particularly those of a semi-judicial character such as the civil service commission and the railroad commission and other non-political institutions. The annual system of appropriation is absolutely fatal to a proper conduct of these offices.

If this argument has been followed it will be noted that the advantages claimed for the annual system are not real advantages, but rather disadvantages. While the annual system usually results in a frequent consideration of these appropriations by the legislature, this is a matter which is equally attainable under the continuing plan and an examination shows that the increases in popular control which it is claimed the annual system provides is rather to be found in the system of permanent appropriations.

The question then presents itself to what extent it is well to employ the system of continuing appropriations. The advisability of the continuing plan will depend largely upon the general budget practice to be followed, and it will frequently be a matter of weighing advantages and disadvantage under the two methods. It is suggested, however, that the continuing plan can be used profitably with respect to institutions or policies upon which the state has definitely embarked and which are in themselves of a permanent character. It is safe to leave to the annual system only such policies as run from year to year and where no definite policy has been accepted by the legislature with respect to them.

The most serious difficulty lies in the potential power in the hands of the legislature. This allows politicians to cripple in-

stitutions with the accompanying result that policies are shaped to conform to the political desires of various cliques in the legislature or in the state to the sacrifice of the proper independence for such organizations. When there is added to the annual system of appropriation the power of the governor to veto or reduce items in appropriation bills, we have lodged in the hands of a single official an effective instrument for the control of public institutions. Instances of the exercise of this power are constantly recurring. In one state the method of library organization did not conform to the plan of the executive and because a certain library institution did not shape its policies in accordance with the plan outlined by the governor, its appropriation was entirely cut off. In other states professors in the universities have been removed and others appointed because of the influence of the governor. In a third state after an appropriation had passed the legislature for the establishment of a school of journalism in the state university, the veto of the governor cut off its support because the advisability of embarking upon this form of education was not apparent.

The fact that educational appropriations are always of a considerable amount makes them the ready prey to those who wish funds for private purposes without lessening the support available for pet projects. The large appropriations which educational institutions receive often tend to make them unpopular throughout the state and the feeling generally exists that the appropriations for these institutions are the cause of high taxes, consequently any attack upon their appropriations meets with popular favor. The temptation for an executive or a faction to win the people's favor by a liberal reduction in appropriations which will mean lower taxes is one which few have the hardihood to resist.

THE MILL TAX.

The controversy with respect to continuing appropriations throughout the country, especially with reference to the support of educational institutions and policies, has centered around the question of a mill tax. Nearly half of the states support the common schools by an annual revenue determined in amount by a certain percentage of the value of the taxable property of the state. In the greater number of the states in which the state

mill tax system is in vogue, a county or local tax is employed, determined upon a millage basis. The desirability of a permanent method of support, such as is furnished in this manner, has resulted in a campaign in many of the states throughout the country to place higher educational institutions as well upon a similar basis. It has become quite common, therefore, to have the educational institutions supported by a permanent tax of this character[25] In a few states, normal schools as well have been placed upon a millage basis as a method of support.

The chief reason that a millage system is invoked for the support of these institutions lies in the desire to secure a permanent income for these institutions. In many of the states which have this method of support, continuing appropriations made by statute and running until specifically repealed are either prohibited by the constitution or it has become an established state policy to have all grants periodically renewed. Consequently the mill tax has been invoked as the only method available to secure continuous support for these projects. A second reason which makes the mill tax desirable, lies in the fact that it is a constantly growing appropriation and it is argued that a proper educational policy should expand with the growth and development of the state and consequently there will constantly be a demand for greater and more extensive facilities for education. It is therefore argued that it is proper to place the amount of appropriation upon a constantly increasing basis and for this reason the mill tax system finds favor.

The disadvantages which lie in this method of support, how-

[25] The following is a list of the state universities which receive the mill tax for their support:

University of Arizona	University of Minnesota
University of Colorado	University of Nebraska
Colorado Agricultural College	North Dakota Agricultural College
Colorado School of Mines	University of North Dakota
University of Indiana	Ohio University
University of Purdue	Ohio State University
Kentucky Agricultural and Mining	Miami University
University of Michigan	University of Wisconsin
Michigan State Agricultural College	University of Wyoming
	University of Tennessee

ever, are chiefly centered around the difficulties in bookkeeping. To base appropriations upon a ratio, introduces an uncertain element in state accounts and it is exceedingly difficult to determine what sum has been appropriated out of the revenue of the state for the particular purpose in mind. With the development of more careful and adequate bookkeeping and accounting systems this method of appropriations has been attacked as unscientific and as being entirely out of harmony with a rational and accurate method of fiscal control and accounts. The second objection has centered around the question of the advisability of removing from periodic legislative consideration the question of the amount of support to be given these various state charges. This phase of the question has already received our consideration, but this particular form of permanent appropriation is one against which the advocates of a periodic review find a special grievance, inasmuch as the tax once voted is constantly increasing in amount and after a period of years the sum available is an amount as expressed in figures which has never received the sanction of any legislative body. It is consequently thought that this form of appropriation removes institutions even more completely than does the ordinary form of continuing appropriation from legistive control. The third objection arises on the part of a number of institutions themselves, who fear the establishment of a permanent method of support, particularly when expressed in the form of a mill tax, which will preclude the growth and enlargement of their periodic grants as fast as might be secured under the annual plan. This view is one more frequently found with respect to new institutions, where the policy of the state with regard to them has not been definitely formulated and where there is a belief on the part of these institutions that the total amount of their support will be greater under the annual plan than under a form of permanent appropriation.

Some of the universities have discovered other methods of support which give them an ascertainable income, but which is not based upon a true millage plan. The Clemson Agricultural College of South Carolina receives a fertilizer tax, and the income of the University of Tennessee equals one and three-fourths per cent of the gross revenues of the state.

Two new systems of support for the higher institutions of the state were established by laws passed during the session of 1911 in the states of Utah and Washington. By a law of the former state twenty-eight per cent of the state revenue was set aside to be used by the state university, the branch normal school and the agricultural college in the proportion of 64.43 to the first, 7.23 to the second and 28.34 to the third. In the state of Washington provision for the permanent support of the state educational institutions was made by a law which created an educational fund by a levy of 1.05 mills to be divided among the institutions of the state in the following manner: .47½ for the state university, 32½ to the state agricultural college, .09 for the Cheney normal school, .07 for the Ellenburg normal school and .09 for the Bettingham normal. Under the provisions of this act the governor is required in January, 1916, upon the request of the president of any institution under this benefit, to appoint a committee of five members to investigate reasons for changing the levy and report in time for action by the legislature of 1917. It is thought this method of support will render the income of these institutions more permanent and prevent the unpleasant rivalry and antagonism which has developed. It is also thought that the provision of periodic review and adjustment of these grants will result in a support which will be based more nearly upon their relative merits. It is also argued that the ordinary method of mill tax would ossify the appropriations and prevent their change in a manner which the growth of the institutions in a new state would make desirable.

During the past biennium, the educational commission in the state of Virginia has been at work studying the question of a mill tax as a method of support for higher educational institutions, and their recommendations to the legislature of 1912 advocated the adoption of such a plan. Action, however, was deferred until a later time. There is, in the state of Kansas at the present time a commission studying the mill tax as a method of support for state institutions and a report favoring its adoption is being prepared. In a number of states which have the mill tax system, the tax is not a direct levy, but is a measure of appropriation binding in no degree upon the legislature. This is true in Illinois and Washington, for example,

where it is thought that the mandate in the constitution prohibiting appropriations running for a period longer than two years precludes the use of a mill tax to provide permanent support. Consequently the amount returned by the tax must be reapportioned at each session and the passage of the mill tax law constitutes but a recommendation to succeeding legislatures with respect to a desirable amount to appropriate for these various purposes.

Inasmuch as the chief reasons for the introduction of the mill tax have centered around the necessity for a permanent form of support, this argument applies with little force in states which are already following a method of permanent grants for these institutions. There is force, however, in the argument that the needs of the institutions must be expected to expand, and consequently, there is justification in placing their appropriations upon an expanding basis. It is a matter of no great consequence that the needs of the institutions and the bases upon which the appropriations are to be reckoned do not expand at the same rate. Laws fixing appropriations, even in terms of a mill tax, are not beyond the power of the legislature to change, and they can be adjusted to bring these two variable quantities more closely into relation. The important thing is that the institutions are in this manner removed more completely from political manipulation and control than is possible even under a permanent method of support.

The difficulty with respect to the accounting and bookkeeping features of this method of appropriation cannot be overlooked, and this constitutes a strong although not a controlling argument against this method of support. The keeping of accounts, however, is an incident rather than a purpose of state government, and if it is possible to keep satisfactory accounts of fiscal transactions under this system, it should be of no great consequence that greater difficulty is found under this plan than would attend the accounting for appropriations expressed in dollars and cents. Bookkeeping must be viewed as a means to an end and not as an end in itself. Were it possible to determine the state revenue in dollars and cents, greater force would be found in the argument that all expenditures must be expressed in similar terms. But, as the revenue sides of our account are expressed primarily upon a millage basis, our ex-

penditure account is not seriously confused by having one or more items expressed in terms which already exist upon the revenue side of our ledger.

Our conclusions with respect to the advantage of the mill tax are that its chief value lies in its providing a means of permanent support, and secondly in its recognition of the need for an ever increasing amount for the support of state institutions. It decreases the need for so constant a manipulation in these laws and consequently removes the institutions more completely from political manipulation and control. It would be better were it possible to formulate this appropriation in terms of dollars and cents, but inasmuch as the appropriation is an ascertainable figure, this is a bookkeeping difficulty which should not be controlling in the face of recognized advantages. While it is true that it is more difficult to determine the exact amount in dollars and cents which is appropriated for a service, from the standpoint of the individual taxpayer, the amount of his contribution to the service is readily ascertainable, because the individual knows the amount of his taxable property, and consequently can readily compute the amount which he pays for each of these services,—a desirable end which cannot be readily determined with respect to other state finances under the system of accounts kept at present in our state.

CHAPTER III

THE RELATION OF THE EXECUTIVE TO THE BUDGET.

THREE SEPARATE DEPARTMENTS OF GOVERNMENT.

The nature of our political institutions was in a large measure determined by the political philosophy prevalent at the time our government was inaugurated. In this philosophy, the doctrine of the separation of powers, advanced by the French philosopher, Montesquieu, held a prominent place. Largely influenced by an examination of the workings of the English government, Montesquieu came to the conclusion that the functions of government fell naturally into three great divisions, the administrative, the legislative and the judicial, and he advanced the opinion that political liberty was to be secured only through a careful balancing of powers. He held that it was the function of the legislative and judicial branches to keep the executive from becoming so strong as to be tyrannical, and, similarly, that any other two branches should so operate as to prevent the third from continually enlarging its position.

The fathers were apprehensive that the new governments to be instituted might become arbitrary and menace the cherished "inalienable rights" of the individual. Especial danger seemed to lie in the creation of such a strong executive power. For protection against such a danger, a system of checks and balances was worked into our federal constitution and into the constitution of the various states. This devise was calculated not only to lessen the chances of the selection of those who would rule in the interests of a faction, but so divide the governmental functions between the several departments that only through the control of all of them would personal rights be jeopardized.

The administrative department in the federal government was centralized in the person of the chief executive, who chooses his

department heads with the assent of the upper legislative branch. A certain centralization was thus provided in the administrative organization. This was followed at first in the state constitutions, but there quickly developed a feeling that greater control over the administrative departments was necessary and that this was better secured through the election rather than through the appointment of administrative officials. Consequently our state constitutions have provided for an ever increasing number of elective state officials until the very recent agitation for the short ballot has started a counter movement in this respect.

The legislatures in both federal and state government have been uniformly bicameral. It was the design that the lower house should be the more powerful, and it was thought that as it represented the people more directly, it would become the dominant body. Due largely to the nature of our party organizations, however, and the control of official patronage, it has been the senate rather than the house which has exercised control, so far at least as our federal government is concerned. There has not developed, however, in this country, the dominance of one house over the other which is evident in other parts of the civilized world. The lower house in France and England, and the Bundesrat in Germany control the legislation covering governmental policies in a way almost unknown to our bicameral system. We have worked out our theory of checks and balances even between our legislative bodies and jealousy has arisen respecting the over-dominance of either house not unlike that which exists between the separate departments. Our judiciary, in both state and nation, has been organized as a separate body almost entirely independent of the other two branches.

But the application of the Montesquieuan theory in this country has not been altogether happy. As the proposition was originally stated, even by Montesquieu, himself, the separation of governmental powers into these three divisions was but an approximation. He recognized that the work of these departments overlapped, and that it was impossible to organize an executive department which in actual practice would have no legislative functions, or, on the other hand, to create a legislative organization without administrative or judicial powers. This organization aimed at a condition that could never be reached, and there was danger that the development of the plan for checks and bal-

ances would leave the regularly constituted organs of government so weak that they would be not only without opportunity for the exercise of tyrannical power, but with scareely strength for the performance of the legitimate functions of government. This is what has actually happened. We have made our official heads so weak that there have come to be those who through party organizations have exercised control over our nominal leaders. The remarkable development of the commission form of government for cities and the growing feeling that a similar organization could be used with benefit throughout our national political units, has come about through a realization of this situation.

It has become evident that satisfactory results are reached only where the experience of the executive is placed at the disposal of the legislature. The administrative organizations are the departments trained in the actual performance of the detail of their governmental functions and in order that the best results be obtained it is essential that this training and experience be placed at the disposal of the legislature.

The theory which has controlled our policies has led us to expect too much of our legislature. It has been thought that it was the proper function of the legislature to handle entirely, and independent of the other branches, all law-making functions. It has been necessary for that body to originate and formulate all plans and to control and balance the other activities as well. We have failed to recognize that the proper function of this branch is to determine questions of public policy and to act as an examining and controlling body over the other departments. The assumption of this position, strengthens rather than weakens the legislative branch, inasmuch as the former theory necessitates detail work to such an extent that it is impossible for the legislature to exercise its functions of supervision, examination and control, which efficiency demands. In fact, our government has become so complex that it is no longer possible for the legislative branch to exercise the power of initiative and control which it formerly wielded. This has necessitated the creation of expert commissions and has required the development of new departments in order that information may be more available.

The theory of the separation of powers is based upon an antagonism, upon a system of checks and balances, and fear of

tyranny from the unproportioned growth of one of the departments. What we have needed, however, in our government has not been the antagonism of the checking system so much as a coöperative system. With the growing complexity of government this has become a first essential. There is no field of legislation which indicates this more clearly than the field of financial legislation, yet the legislature has been unusually jealous of its prerogatives in these matters and that coöperation between the legislative and administrative branches, which is essential for the proper formulation of a fiscal plan, has been almost entirely lacking.

RELATION OF EXECUTIVE TO LEGISLATIVE.

In the organization of our American government the legislative and executive departments were not entirely separated, but the chief administrative officer was given a number of legislative functions, chief among which are: (a) The power to recommend measures, (b) To approve or veto measures, (c) To call special sessions of the legislature and specify their programs, (d) To change the place of meeting under certain circumstances, (e) The issuance of writs for elections, (f) The adjournment of sessions in a few instances.[26]

The executive power to recommend measures has usually been confined to an annual message which shows the fiscal condition of the state and presents an outline of needed legislation. This message is usually supplemented by periodic communications throughout the session. The executive is frequently made the channel through which reports from the various boards and administrative officials are presented to the legislature.[26] Reports are frequently made to the governor and submitted by him to the legislature when it convenes.

For the presentation of a fiscal program, the American system is singularly weak. In practically all European countries the submission of governmental estimates is an administrative function, and although the power of the legislature in the adoption of these estimates varies in different countries, the preparation of the original plan by the administratve branch is common

[26] See J. B. BARNETT, *The Executive Control of the Legislature*, 41 American Law Review, 215.

to them all, and all authorities upon public finance urge as the only proper course a careful scrutiny by the executive of the fiscal program. This is possible in the federal government to a greater extent than in the states because the administrative divisions are organized more systematically under the chief executive. The president appoints the heads of the different departments and has over them the power of removal. These officers are organized into a cabinet which meets frequently, and there is thus a centralization of administrative control. The president is elected and represents the entire country and is responsible to it. The heads of all of the departments are directly under him. This arrangement has possibilities for the development of a budget control which was recognized in the civil service appropriation law of 1909,[27] requiring the president to submit to congress the estimates of departmental needs and his plan for bringing about a correlation between revenue and expenditure. If the revenue fails to meet the expenditure it is made the duty of the president to suggest either specific curtailments in expenditure or new revenues to prevent a deficit. This law has resulted in an attempt on the part of the executive to formulate a more complete budget plan.

The presentation of departmental estimates and the formulation of an administrative fiscal program has been one of the questions which has received consideration by the president's commission on economy and efficiency and they recommend a centralization of responsibility in the chief executive for all fiscal recommendations. This responsibility is located primarily in the president and the extent to which this power may be used is shown by the suggestion that since many of the appropriations are not phrased to be mandatory in character, the executive may refuse to accept appropriations which do not meet with his approval.[28] Other suggestions involve a vicarious responsibility on the part of the president. The report recommends that the cabinet members be required to submit their estimates of expenditures in great detail, and be allowed a certain discretion as to its use so that their extensive information as to the needs of the services may enable them to spend

[27] 35 stat., 1027 §7

[28] Report of the commission on the need for a national budget, Sixty-second Congress, second session, House Document 854. p. 223

their appropriation with the greatest economy. It is suggested that they may be held directly responsible for the use of these funds and that the appropriations be made in such a form that there may be direct administrative responsibility and an incentive to economy.

With respect to state finances, however, administration is less highly centralized, inasmuch as the governor does not have a control over the other officers, who are like himself elected. For this reason there is an independence among the administrative officers similar to that existing between the legislative and the executive branches. They are frequently of different parties or entirely out of sympathy with each other. And there is frequently a jealousy between the executive and legislative branches which hinders the legislature in making use of the information and experience which the administrative officers have at hand. The growing complexity in legislation, however, is rapidly bringing about a change and the law making body is being forced more and more to rely upon expert information obtainable only through the administrative organizations. There has been a constant growth in the supremacy of the executive over the legislative branch, due largely to the fact that we have come to have strong personalities and greater leaders in our executive positions. Their leadership in the party has also given them a dominant position in the legislature.

A few of the states have extended the power of the governor over financial legislation so that his message to the legislature has become more than a summary of departmental requests. The Maryland constitution forbids special legislation except upon the recommendation of the governor and the office of the treasury, and under the New York constitution bills may not go into immediate effect unless the governor declares an emergency. In Alabama we have the only instance of a governor initiating a measure. Here, with the assistance of the attorney-general, he prepares the general revenue bill for each legislature. In Alabama and in Virginia the veto power may be so exercised that the governor may suggest amendments to bills and the amendments may be incorporated in the bills by a majority vote of the legislature.[29] In Nebraska no

[29] BARNETT, *loc. cit.*

new bill may be introduced after the fortieth day of the session except upon the recommendation of the governor.[30] At a recent conference of the governors, Governor Wilson of New Jersey suggested that it was within the powers of the governor to present to the legislature completely drafted propositions. He called attention to the fact that most constitutions require the governor to submit "measures" to the legislature and that a measure might be presented in the form of a completely drafted bill which should stand or fall before the legislature as a part of the administrative program.[31]

An interesting phase of the development of executive power has been the growth of administrative bodies with power to supervise and in a measure control the administration of the state. The old executive council, which existed in some of the earlier states, was in a way a check on the governor's power since it required him to gain for most of his official actions the assent of the members of a council, frequently chosen by election, or whose appointment requires the ratification of the senate. Three states still use this fixed executive council, New Hampshire has a council of five, Massachusetts of eight, elected from the various districts, and Maine has a council of seven chosen by joint ballot in the legislature. In New Hampshire and in Massachusetts the council shares with the governor a control over expenditures through approval or disapproval of disbursements from the treasury.[32] In Iowa the elective officers, the governor, secretary of state, the auditor and the treasurer, are organized into an executive council.

The newer councils have a much more powerful position than the old. Although their functions have not been clearly defined as yet, it is the impression that they are coming to exer-

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[30] FINDLAY and SANDERS, *The Executive Power*, Ch. 14 on this subject.

[31] The Wisconsin constitution provides with respect to the power of the governor over the legislature in art. 5, section 4: "He shall communicate to the legislature at each session the condition of the state; and recommend such matters to them for their consideration as he may deem expedient." Section 10 provides for his signing measures and for his veto power, and article 4, section 11 provides for his calling the legislature in special session and gives him power to specify the business for which it is called.

[32] DEALEY, *Our State Constitutions*, Annals American Academy of Pol. & Soc. Sci. March 1907 (Supplement), p. 84.

cise a position in our state government not unlike that of centralized commissions in some of our cities, or the cabinets in foreign countries. One of these boards is the California board of control, whose prime function is to audit accounts of state institutions. It is composed of three members appointed and removable by the governor. They must not only audit the accounts of all public institutions, but must install accounting systems, supervise purchases, and may allow institutions to incur deficiencies. They have funds at their disposal which they may allot various departments for contingencies. The duties of this body are chiefly fiscal, but it represents a type which may easily develop to perform a valuable function in our administrative program.

The Washington Bureau of Inspection is of a similar nature and the Wisconsin Board of Public Affairs might occupy such a position.

VETO POWER OF GOVERNOR.

The chief legislative function of the governor, is at present exercised through his power of veto. In all of the states but North Carolina the governor is given the right to veto bills, and in thirty-one of the states he is given the right of vetoing specific items in appropriation measures.[33] He is sometimes made a member of the state board of equalization and is frequently authorized to validate certain payments from the treasury.

By a court decision on the constitutional right of the executive to veto items and parts of appropriation bills, the governor of Pennsylvania is given not only the power to veto spe-

[33] These states are:

Alabama	Louisiana	North Dakota
California	Michigan	Ohio
Colorado	Minnesota	Oklahoma
Delaware	Mississippi	Pennsylvania
Florida	Missouri	South Carolina
Georgia	Montana	South Dakota
Idaho	Nebraska	Texas
Illinois	New Jersey	Utah
Kentucky	New York	Virginia
Kansas	Maryland	West Virginia
		Wyoming.

cific items in the appropriation bills, but may even reduce their amounts.[34] This practice of allowing the governor to decrease items in the appropriation bill has been followed in some states, but in Oklahoma an attempt of the governor to cut down items in a university appropriation failed to receive the approval of the court,[35] and it is the better view that the power given the governor to veto items in appropriation bills does not allow him to reduce the amounts.

This power to veto items in the appropriation bill gives the governor great power over the legislative product. It is particularly noticeable where the executive and the legislature are in harmony, especially where they belong to the same political party, and the administration has a sufficient force in each house to carry through its projects. Probably this situation is illustrated in California as clearly as in any state. Here the constitutional power of the governor over appropriation bills is practically limited to the exercise of his veto power, yet the governor, as the dominant factor of the political party in power, practically controls the fiscal program in all stages of its preparation and adoption. The budget bill takes shape in the finance committee whose chairman is appointed by the speaker of the house, acting upon the suggestion of the governor. Not only is this chairmanship determined upon by the executive, but other members of the committee are also chosen by him, and when the committee organizes for business, it is the executive who has the last word upon all matters submitted for its deliberation. The committee learns through conference with the governor the total amount of appropriations which he thinks the committee should recommend and by later interviews, after the proposed budget is formulated, ascertains whether the executive will support the committee in the distributions upon which it has decided. Inasmuch as the budget is forwarded to the legislature practically in this form and is not subjected to serious amendment in passage, it will be seen that the governor is actually the dominant factor. Should items of which the governor disapproves appear in the bill, he may remove them by the exercise of his veto power, and as the

[34] *Commonwealth vs. Barnett*, 199 Pa. State 161 1901

[35] *Regents of the University of Oklahoma vs. Pratt*, 28 Oklahoma 83. 1911.

legislature has usually adjourned before this examination of the financial program is completed, there is no opportunity, were there the desire, to pass these items over his disapproval.

But the position of the governor over financial measures is not limited by his control of the finance committee. His right of veto gives him power to control the actions of the various members of the legislature with respect to other measures as well. It invariably happens that many members of the legislature are in charge of local measures of considerable importance to their constituents, but with which the state itself is not seriously concerned. To the members coming from these districts such measures are of prime importance, and before they may become law, it is necessary to secure the signature of the executive. The power of the governor over all pending legislation is greatly enhanced owing to the fact that he has a certain influence over these representatives through his opportunity for approving or disapproving these local measures.

In a certain western state it is usual to grant state aid through separate legislative acts for the construction of roads and bridges throughout the various sections. For each of these grants the approval of the governor is required. Log-rolling is indulged in by the legislature to secure these appropriations and many more projects are authorized than the condition of the treasury will warrant. This necessarily places the responsibility upon the governor of vetoing a sufficient number of these projects to bring the expenditures of the state within reach of the estimated revenue. Since the executive may thus determine the favored sections of the state, this official has an important leverage upon the members of the legislature to secure their support for his program.

When, however, the legislature and the governor are not in sympathy and particularly when they belong to different political parties, the veto power of the governor is accompanied with even less fortunate results. There is a constant tendency on the part of the legislature to place the governor in a dilemma and to make political capital out of the action which he takes upon the bills which they pass. In the various states, measures are frequently passed by the legislature in order to place the governor in a position where he must either sanction exorbitant expenditures or lose popularity by a reduction. The

difficulty in such a situation was apparent in the state of Kentucky in 1910 and in Idaho in 1911 because the governor and the legislature belonged to different political parties.

Whether the grant of power to the governor of vetoing items is proper or improper, depends largely upon the other features of the system which accompany it. That there are certain grave disadvantages connected with this plan can hardly be disputed. Too often the legislature depends upon the governor's veto and shirks its responsibility, passing appropriations far in excess of the amount which the treasury can afford and placing the responsibility upon the governor of vetoing a sufficient number of items that the amount appropriated may not be in excess of the revenue of the state. This custom of relying on the governor's veto, though not unknown in other forms of legislation, is more frequently shown in connection with appropriation measures. It is a situation which frequently accompanies our checks and balances system of government and illustrates what has been frequently observed, that a multiplicity of checks does not always multiply safeguards, but frequently results in a weakening of responsibility and actual control, as each department realizes that the matter has already been passed upon or must yet be considered by another department and the scrutiny which would otherwise be given these matters is lessened. This action on the part of the legislature of forcing the governor to cut down excessive grants, makes the chief executive the real determining factor with respect to a large proportion of the appropriations.

A second danger lies in the great temptation for the legislature to pass many appropriations for local and inconsequential purposes because of the desire of the respective members to win the favor of those having these private measures in charge. Consequently log-rolling is encouraged and the appropriations swell far beyond a normal amount. The opportunity given the governor to build up a political machine through partiality and favoritism is tremendous. There is added to this the possibility of the governor making political capital of his veto power. Many state services will be voted by the legislature whose need or desirability it is difficult to explain to a large constituency, but whose imperative necessity may be demonstrated to a small group or even to the legislature itself. The governor has these

appropriations in his control and frequently wins popular approval by cutting appropriations for needed state services and standing before the people as an economical governor favoring the lessening of state taxes.

We have already spoken of the power of the governor over members of the legislature through the use of this power. He has a like authority over the various departments and institutions of the state, inasmuch as he can punish an institution or department by cutting off support. Practically all departments require some appropriation at each session of the legislature and this places them, to a certain extent, under the control of the governor. Under the system of annual or biennial appropriations, all state grants must be periodically renewed and it is consequently within the power of the governor to cut off absolutely a state service or hamper an institution in its work. Examples of this are constantly recurring throughout the states. This power is not so great in its actual use as in its potentiality, and the control given an executive because he is possessed of this power results in the inauguration of policies and in a dominance over departments entirely out of harmony with a proper form of administration.

It has long been realized that the executive should not have a control over the judiciary and the prevailing systems of government throughout the civilized world are calculated to make the judiciary independent of the executive and even of the legislative branch. The need for this separation is just as apparent with respect to institutions of a semi-judicial character, such as the railroad and civil service commissions.

In states having this periodic review of appropriations the system of allowing the governor to veto items in appropriations is absolutely vicious. Here the plan cannot be indorsed, because it places too great power in the hands of one official to be used not only to build up party power, but to increase personal prestige. This system is not to be justified on any theory of party or personal responsibility because it is a responsibility which cannot be placed and is entirely unlike the responsibility of the ministry in parliamentary countries. The cabinet, under the parliamentary form, is actually responsible for its actions, because it may be called to account at each step of its program, and if it fails to receive the endorsement of parliament, it may

have to justify its course before the electorate. Elections may come at any time, while with us they arrive at periodic intervals and the consideration is not of a particular issue or part of a program of legislation, but involves a complete balancing of merits and demerits. Consequently, it is impossible to secure an expression of opinion upon any single phase of the program. The electorate must balance the acts which they approve against those they disapprove and their judgment is upon the whole. This is an entirely different thing from the responsibility on each issue found in parliamentary governments. Where elections are called upon distinct issues, personality plays a less important part in the campaign, but with us the program is less important than the personality. There is not with us the clear-cut accountability to be found in parliamentary countries, because of the systems of checks and balances which divides the responsibility between the executive and the legislature, and again between the two houses of the legislature. The really powerful influence is extra-legal and is exercised through political parties and machines, consequently there is no direct responsibility attached to it.

But there are distinct advantages which accompany the veto plan. Its prime purpose was the prevention of riders on appropriation bills, and here it is calculated to operate satisfactorily. Were the president of the United States given the power to veto items, the vetoing of entire accounts, such as accompanied the veto of the army appropriation bill in the last Congress, would be unnecessary. There is also a certain responsibility attached to the governor's use of the veto. This, as we have just stated, is weak and not at all comparable to that found in parliamentary countries, but nevertheless it gives opportunity for the executive to take a distinct stand on an issue and in this way gives him a power for which a certain responsibility will be attached. Furthermore, it allows a certain correlation between the estimates and the revenue. In many states the appropriation bills are passed with little thought or consideration of the amount of revenue available to meet these expenditures, and in these states a proper adjustment between revenues and expenditures is only possible in the office of the governor. The governor is here the real law-making power. The power to veto items in this respect is of value be-

cause of the opportunity for this correlation, which, although coming too late to be of greatest value, is far better than none at all. This is not, however, a clear gain, inasmuch as the realization of the fact that the governor has this power, lessens the responsibility felt by the legislative branch and, consequently, the examination which it might make is neglected.

The greatest promise of the partial veto lies in the possibility of its developing into a logical system. It allows the governor as the head of a political party to formulate a budget plan and hold the legislature to it. He is thus enabled to perform certain functions which the cabinet customarily performs in parliamentary or monarchial countries. It allows the centralization of power in one official and encourages and makes it more likely that at least one office or set of responsible officials will master the fiscal needs of the state, formulate a program, and carry it into effect.

The use of this power is a step toward party responsibility and encourages a movement which has already assumed some proportions. Party platforms are now being formulated more carefully and embody actual programs of legislation. Naturally enough the head of the ticket usually personifies the party responsibility for carrying out this platform. In order, however, to make this responsibility real, the executive must be given sufficient power to hold the party and the legislature to this program. It has been suggested that the executive draft party measures and submit them as administrative bills. The budget readily lends itself to such a plan. The party in power is now held responsible in a general way for the expenditures, and a plan which will encourage this and allow the governor as the head of the party to exercise a dominant control over the fiscal program, points toward a better adjustment in the organization of fiscal legislation.

It should be noted, however, that under our congressional government it is the legislature rather than the executive which must be the controlling body in the passage of laws. This is as it should be, because the legislative body represents the sentiments of the state and is the body which can properly formulate public opinion. The question then arises as to whether it is not preferable to centralize the power of control in a

legislative committee rather than in the governor, particularly when it so frequently happens that the governor and legislature are of different political parties and out of sympathy with each other. This is a plan which gives promise of better results. A committee of the legislature, organized to sit throughout the time for which the legislature is elected, could act in many ways as the cabinet does in parliamentary countries. Bills could be prepared and policies digested before the session of the legislature convenes. When the governor is in sympathy with the legislature he will, of course, take a leading part in this committee work and be a dominant factor therein, but when not in sympathy with the controlling party, he is not in a position to block the work of those in actual control. For this reason it might be well were the percentage required to override the governor's veto upon items reduced to a majority of those elected to each house.

Embarrassment may arise in case of a turnover in the state political policy, or when the incoming legislature is not in harmony with the hold-over committee of the old. This situation, however, does not present controlling difficulties. After the election in the fall a new cabinet should be formed in each instance by inviting members to meet with the old committee who will be leaders in the coming session. Whether this is done by the governor or by the committee, there is the same necessity which is felt in parliamentary countries for selecting a committee which will be in actual power in the legislature and will have dominance over this branch. As is the case with cabinet members, they are not powerful because they are elected to such positions, but are elected to such positions because they are powerful. Such a cabinet might be formed after the elections to take charge of the fiscal program already formulated by the committee in charge.

In the plan for the preparation and consideration of the budget, outlined in a previous chapter, the central board with an organization similar to that of the Wisconsin State Board of Public Affairs plays an important role. The estimates of the several departments are to be submitted to this board and it forms a state budget. With the convening of the legislature, this board is to be re-organized to conform to the new forces charged with the administration of the state and as representatives of such forces, exercise general supervision over the admin-

istration and audit of the state's finances. When such a system is in vogue and the plan of continuing appropriations above suggested in force, it might be advisable to confer upon the executive, the power of vetoing or reducing the amounts of items so that the budget before the legislature might be held closely to the amounts determined upon by the board and the finance committee. This is the rational position for the governor to occupy, the head of a well organized administrative body, composed partly of members of the legislature, working in a scientific manner for a regular and orderly budget, rather than as an isolated champion of economy.

CHAPTER IV

BUDGETARY PROCEDURE IN ENGLAND

The history of parliamentary control of public income and expenditure is the story of the development of representative government. It is a basic principle of Anglo-Saxon constitutional law that public revenue is to be raised but with popular consent and its expenditure limited to those purposes thought to be of the greatest public benefit.

In the more primitive types of government the question of financial control presents few difficulties, owing to the restricted field of state activity. Little distinction was made in the early days between governmental purposes and the king's private purse; state and personal sovereignty were fused. For the ordinary functions of government the revenues from the crown properties sufficed, especially when the control of the public lands entitled the king to the tolls, duties and customs from royal properties. In cases of unusual need, gifts or loans supplied additional funds. Gradually increasing activities, however, necessitated not only more permanent but larger revenues. Government gradually evolved from the personal allegiance of feudalism to the institutional organism we recognize to-day. This growth appears most clearly in tracing constitutional development in England, and is of especial interest not only as it is the foundation of our own organization but because it has been the model toward which all other plans of government have consciously tended. The development of parliamentary control over the treasury is the gradual unfolding of a plan of government, representative in fact as well as in design, and which embodies at once efficiency in operation and democracy in control in the most perfect manner the world has yet known.

GROWTH OF PARLIAMENTARY CONTROL

The king's national council was not originally a representative body; its relation to the king was a personal allegiance and the position of its members was that of feudal vassals rather than of popular representatives. The transition from this stage to that of the modern parliament has been strongly influenced by the pressure brought by the king to secure votes of supply. As early as the reign of Henry III it became customary for the National Council to grant money to the king. When, however, there was reason to fear the council would be reluctant to make grants, the king would call in the lesser landlords to insure a sufficient majority to carry the needed appropriations. There was frequent difficulty in securing from Parliament funds necessary for the maintenance of the king's household and the needs of the government. It was early realized that the control of the purse carried with it a control over public policies and the principle developed that appropriations should be made only after a settlement of grievances. At first this amounted to little more than the royal pledge that the Magna Charta would be renewed, but it was rapidly extended to include promises of redress from a more extended list of grievances. The *Confirmatio Cartarum* granted by Edward I established the principle that no taxes were to be imposed except those sanctioned by Parliament.

But of scarcely less importance in the development of parliamentary control over finance was the growth of the principle that Parliament might not only dictate the amount of taxes and specify the manner in which they should be raised, but might also control their expenditure to ascertain that their use had been for the purposes contemplated in the grant. In the earlier days money was expended for both the royal household and the affairs of the realm from the same source. With the increasing demands for public funds the king was obliged to specify more and more clearly the purposes for which funds were needed and as a natural corollary then developed the principle that an accounting must be made respecting the disposition of grants previously made. Early in the thirteenth century the suggestion is made that the grants to the king shall be applied to the needs of the kingdom at the discretion of

representatives of Parliament itself, and among the grievances listed in early grants is recited the fact that the purpose of previous expenditures was unknown to the council.[1] The demand grew constantly more urgent that the king choose proper counsellors and charge them with the supervision of public affairs, especially in their fiscal aspects. Closely following upon this came the demand of Parliament that the report of the public treasury be audited by a committee of Parliament itself. At a later date it was specified that money was to be drawn from the treasury but for the purpose authorized in its grant and in close sequence to this reform came the change so momentous in the development of parliamentary power—that the selection of the ministers of the king be subject to the approval of the council.

With the representation of the Commoners in Parliament their influence upon the grant of supplies became more and more clearly apparent. In the Model Parliament of 1295 each estate met by itself and by the beginning of the fifteenth century, the principle was recognized that the lower house not only had the decisive power respecting grants, but that from them alone might money bills arise. Before the Yorkist and Tudor era, the Commons had assumed the sole right of initiating taxes and the hereditary chamber's prerogative was limited to one of assent.[2]

DEVELOPMENT OF THE CABINET

Not less important than the growth of parliamentary power in England is the development of the cabinet. Both were evolved from the Great Council of the Norman kings, the former by the enlargement of its members, the latter by a process of elimination in order to maintain a working body. The national council met but three times during the year but it came about that the more important and influential members of this body were more frequently summoned and, except for the imposition of taxes, came to exercise, in the absence of the council, powers scarcely less than those of the larger body. But a further restriction in membership became necessary. The affairs of the

[1] MORGAN, *History of Parliamentary Taxation in England.* page 85
[2] MORGAN, *op cit.* page 212

kingdom demanded a secrecy not found in the larger group and the Privy Council arose. A more complete centralization resulted in the cabinet, the prototype of the present governing body. Even the Privy Council came early to include commoners in its membership. This change together with the later development whereby it was constituted not of the several political parties but only of members of the dominant one, brings us near to the present form. Its more complete evolution came toward the close of the eighteenth century when we find that body "necessarily consisting (a) of members of the legislature, (b) of the same political views, and chosen from the party possessing a majority in the House of Commons; (c) prosecuting a concerted policy; (d) under a common responsibility to be signified by collective resignation in the event of parliamentary censure; and (e) acknowledging a common subordination to one chief minister."[8]

There remains but one step to place the cabinet in the place it was destined to occupy as the executive power of the kingdom—the centralizing of responsibility in that body rather than in the king. Influenced by the growing feeling that the acts of the king, often arbitrary and oppressive, should be subject to approval of Parliament, but confronted by the prevalent respect for royalty and a sort of reverence for one who it was believed held sway over the affairs of state by a divine right, a theory was evolved which answered the purpose by holding to account the ministers of the king for the misdeeds resulting from their advice. The only possible result followed the adoption of this maxim that "the king could do no wrong"—those made accountable for executive acts assumed a power commensurate with their responsibility. The royal power waned and in its place appeared an executive, representative of Parliament and wielding a power adequate for the duties for which it was created.

ORGANIZATION OF THE ENGLISH GOVERNMENT

Parliament consists of the House of Lords and the House of Commons but the respective powers of these bodies are far from equal. The more powerful body is the House of Commons, con-

[8] WILSON, "*The State*," §§843–857. Quoting H. D. TRAILL, *Central Government*, pp. 23–25.

sisting at present of 670 members elected for terms of five years from the counties, boroughs, and certain universities of England, Scotland and Ireland. About one-sixth of the population are electors with the right of voting for representatives in this body. The House of Lords consists of over 650 members, some of whom hold office by hereditary right, others by appointment of the sovereign; some are English bishops who are entitled to membership by virtue of their office; others are Irish peers elected to life membership by the Irish peerage; or Scottish peers elected by the peerage of Scotland for the duration of Parliament.

The Cabinet, the most powerful body in the realm, is composed at present of nineteen members, the ministers in charge of the Treasury, Home Office, India Office, Foreign Office, War Office, etc. While the executive power of Great Britain and Ireland is nominally vested in the Crown, it is the Cabinet which is in actual control. The Cabinet is selected from the leading members of Parliament. The Prime Minister is chosen by the Crown because he is leader of the dominant party and can command a majority in that body for the policies of the government. Other members of the Cabinet are selected by the Prime Minister, all from the leading party. This is the great secret of the success of the English type of government—the administration of the affairs of the realm is entrusted to a well organized executive council, the members of which are all members of the political party responsible for the conduct of public affairs. There is a clearly defined gradation in authority and power in the English government and for every phase of state activity responsibility may be definitely placed. There are no checks and balances in this plan and consequently no division of authority; nor does a blind faith in a theoretical division of governmental functions between executive, legislative and judicial branches lend a ready excuse for unfullfilled promises. Upon the party in power in Parliament the people place entire responsibility, their leaders form the Cabinet, charged with the administration of the kingdom, and among these the Prime Minister is dominant. On his shoulders must rest ultimate responsibility for the carrying out of all governmental policies.

We have spoken of the House of Commons being elected for terms of five years. This is indeed the law, but in practice,

parliaments are not necessarily in continuous existence so long. When disagreements arise between the Cabinet and the Commons it is because the design upon which parliament has been elected and the Cabinet chosen have not been carried out. Parliament is supposed to represent the will of a majority of the people and the Cabinet to consist of the leaders of that body. If, therefore, a position taken by the Cabinet is not supported by Parliament, it is either because the Cabinet no longer possesses the confidence of the House or because the members themselves no longer voice the popular will. Consequently, in case of friction between these bodies, but two courses are open, the resignation of the Cabinet or an appeal from the Crown to the people to send representatives who will support the government upon the question at issue. The latter has been the more usual course up to the present time. Before 1911 the legal duration of Parliament was seven years, and the average length of Parliaments since the commencement of the Victorian reign has been less than four and one-half years. No time is fixed for the meeting of Parliament but its convocation and adjournment are subject to the Crown's command. There are, customarily, annual sessions extending from the middle of February through August with occasional autumn sessions.

The House of Lords, although originally possessing power co-measurable with the Commons is in fact but an advisory body. Prior to the last session of Parliament, the assent of the Lords was required before any bill might become a law, although the evolution of the English unwritten constitution had brought it about that only in extreme cases, when a dissolution of Parliament was thought advisable, would the Lords refuse to approve a measure the Commons had passed with any unanimity.

Relation between the two Houses.

There are two great political parties in England, the Liberal and the Conservative, either of which may control the lower house. The cabinet, as we have seen, is always entirely composed of members of the party in power. The House of Lords, being permanently organized, does not fluctuate between the major political parties, but is always conservative. When, therefore, the Conservative party is in control of the House

of Commons, all governmental bills, from their introduction by the conservative cabinet to their sanction by the two houses, are in the hands of their friends and the House of Lords readily assent to such party measures.[4] When, however, the Liberal party controls the government, the position of the hereditary body is somewhat changed, and they sit in actual review of all measures submitted. This, however, is the review of a comparatively weak and senile assemblage because it is only on measures of minor importance which are not given the dignity of "government bills" or, if more important, only those upon which the party is willing to make an appeal to the people that the venture of rejecting a government measure would be entered upon. For years the feeling has been strong in England that means should be taken for making the second chamber representative or for abolishing it. The fear of such action has had a controlling influence upon this body and causes for increased hostility are avoided.

But a crisis arose in 1909 which led to one of the greatest developments in English constitutional history. The budget bill of that year contained many features which were extremely distasteful to the Conservatives and especially to the land-holding class, who dominated the House of Lords. Upon the ground that the many features of the bill not properly of a financial nature took it out of the class of "money bills" (the Lords' right to reject them was disputed), the budget was rejected. Parliament was dissolved twice in rapid succession and the result of the elections was to sustain the government in its program of weakening the second chamber.

In the session of 1911 an act was passed seeking to effectively curtail the power of this branch. By this act all money bills not accepted by the Lords are to be law nevertheless and the question whether or not a measure is a money bill is to be determined by the Speaker of the House of Commons. Measures certified by the speaker as "public bills," except those to extend the maximum duration of parliament beyond five years, if passed by the House of Commons in three successive sessions and each time rejected by the Lords, shall nevertheless be law. Two years must have elapsed between the second reading in the

[4] MACY, *"The English Constitution."* p. 50.

first session in the House of Commons and the reading in the third session.[5]

On private bills the Lords occupy a position not unlike that of any second chamber. Although legally the House of Lords is a very large body, but few habitually attend. Three members constitute a quorum and only on the important party measures can one-third of the total membership be secured. They sit five days each week during the session, usually less than two hours each day. In the House of Commons all members habitually attend and the sessions are from six to nine hours in length and are held five times a week.[6]

Nature of Parliamentary Government.

Parliamentary government, the great contribution of the English people to political science, is built upon the corner-stone of party responsibility. With the executive offices manned by the leading members of the dominant party and their tenure limited to the time in which they retain the confidence of their associates, little opportunity is offered for the evil ever present in our American governmental system—the shifting of responsibility from the executive to the legislature and then to various people who can never be definitely located. There has developed a power commensurate with this responsibility and the legislative program is completely in the control of the government. Bills are indeed prepared and introduced by private members, but these are few in number and of minor importance.[7] The important measures are those which the government itself introduces to carry out the legislative program laid down and it is the consideration of these which has become the real function of parliament. Of these the budget bill takes precedence and the preparation of this measure and its course through Parliament will now engage our attention.

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[5] 1 & 2 Geo 5, Ch. 13, Aug. 18, 1911.

[6] MACY, *The English Constitution*, pp. 43, 44.

[7] A. L. LOWELL, *Government of England*, Vol. I, p. 314—"Ten or fifteen bills are enacted each year and of these only a couple provoke enough difference of opinion for a division during their course in the house."

THE ENGLISH BUDGET.[8]

The preparation of the budget, embracing the fiscal policy of the government for the ensuing year, is in charge of the treasury department. This department, as legally constituted, is composed of the First Lord of the Treasury, a position which the Prime Minister usually elects for himself, the Chancellor of the Exchequer and a number of junior lords. In practice, however, the Chancellor of the Exchequer controls and it is because the duties of the department are performed by this Chancellor that the position of First Lord of the Treasury is attractive to the Prime Minister—the lightness of his duties in this department makes it possible for him to devote his energies to the general affairs of the realm. The estimates of the various governmental departments form the primary basis upon which the budget is made. About the first of October each year the treasury requests the various departments of government to prepare separate estimates of their needs for the ensuing fiscal period. These are returned ordinarily by December first, and although some occasionally require more time, all must be submitted in good season before the opening of Parliament, which usually occurs about the middle of February. Upon the information and data thus collected, the estimate of the Chancellor is prepared. The departmental estimates are carefully reviewed and must meet the approval of the Chancellor before they may be included in the budget. Especial attention is given such items as relate to the creation of new posts, increases in salaries or changes in methods of expenditure. The treasury has power to disapprove of items in the estimates submitted and if an agreement cannot be reached with the department concerned, the prime minister may be appealed to as final arbitrator.

From the tax collecting departments of the treasury estimates of probable revenue have been prepared upon the basis then in

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[8] For information on budgetary procedure in England, I have relied chiefly on a report prepared at the request of the United States department of state by the American embassy at London. The work was done by MR. LELAND HARRISON, the second secretary of the embassy. Other sources are A. L. LOWELL, *The Government of England*, ANSON, *Law and Custom of the Constitution;* REDLICH, *Procedure of the House of Commons.*

use. The adjustment of the income and expenditure upon these lines falls to the exchequer and the elastic elements of the revenues must be so adjusted that a balance will be approximately reached. It is customary to estimtae a surplus of £300,000 or £400,000 in order to guard against unforseen contingencies or the diminution of the revenue and that there may be a surplus rather than a deficit. The financial program for the year outlining the expected sources of revenue, its amount and the purposes to which it is to be devoted, constitutes the budget estimate which the Chancellor of the Exchequer must defend before the House of Commons. The army and navy departments have, however, their special financial departments which make up their own estimates, and although these are checked by the treasury, this is not done so closely as in the case of other departments and the duty of defending the estimates before the House falls upon these departments rather than upon the chancellor.

Budget Introduced in Parliament.

The speech from the throne upon the opening of Parliament always contains a demand on Parliament for supply, and in accordance with historical precedent, the receipt of this address is followed by a reply from the Commons and the fixing upon a day in which the Commons will meet as a committee of the whole to vote supplies and another date when the committee of the whole house on ways and means will meet to devise methods of raising the needed revenue. As the British fiscal year ends March 31st, it is necessary that such supplementary grants as are needed for the closing year be made and a sufficient consideration be given the other services to allow the conduct of government. Upon the date determined, the House of Commons meets as a committee of the whole house on supply and thereupon considers the proposed expenditures which have been submitted by the chancellor. Here are considered the army and navy services and the services of the civil list which includes all other public charges. The exact amount of money the government proposes to spend is made known in completely itemized statements placed in the hands of each member of the House. The appropriations to be granted by Parliament are divided into votes—some one hundred and forty in number.[9] At least

[9] A. L. LOWELL, *Government of England*. Vol. I, p. 122.

twenty days are allowed for the consideration of estimates and on each day a number of votes are scheduled for discussion. The minister responsible for the estimate must answer the attacks directed by the opposition toward each proposed expenditure, explaining all questions of policy and replying to criticism. All votes which have not been considered by the last day are then voted automatically "under the guillotine."

This consideration given the government proposals has been criticized as being of a political rather than a financial character,—that opportunity is sought to discredit the government rather than to secure an honest and fair-minded discussion of the estimates. It has been suggested that Parliament might follow with profit the plan of having a committee revise the estimates and give them a closer scrutiny than the committee of the whole house can make. Such a practice might, however, tend to lessen the cabinet responsibility and the greatest element in the construction of the English financial system would thereby be imperiled.[10]

The voting of supplies in the English committee of the whole house bears little analogy to the passing of appropriation measures in American legislatures. No appropriations are made by these votes and no money may be paid out of the Consolidated Fund to satisfy them until authority is given by statute. The determinations of the committee of the whole house on supply are in theory not unlike the findings of a committee of one of our legislatures, except with respect to the procedure in the committee itself and the effect of the report when considered in Parliament.

The basic theory upon which English budgetary procedure is established is that the government must be responsible for the bill in all stages of its consideration. This holds not only respecting the preparation of the estimates but with regard to their consideration through their entire course in Parliament. Were the estimates, however, subjected to amendment at the suggestion of private members and had Parliament the power to modify the proposals of the crown, the resulting program would no longer be that of the government, but one which had its initiative and development from certain individual members of Parliament who were responsible in no sense to the country at large.

[10] LOWELL, *op. cit.*, p. 324 and authorities cited therein.

Consequently, one of the earliest standing orders of the House, passed originally in 1713 and reaffirmed in 1852 and 1866, reads: "This house will receive no petition upon any motion for a grant or charge upon the public revenue, whether payable out of the consolidated fund or out of money to be provided by Parliament, unless recommended by the Crown."[11] But the right of private members is still further limited. Not only is the privilege of introducing new charges curtailed, but also the right of suggesting the increase in amounts which the government proposes to devote to any purpose. But two courses are open to one who believes an insufficient grant is proposed: he may present in committee of supply a resolution asking the government to provide in its estimates for a particular service or to increase a grant already proposed, or he may move in committee of supply that the amount proposed for a certain service be reduced. The first method is considered revolutionary and violates the theory that since the charge of the affairs of government is in the hands of the Cabinet, they are presumed to know upon what amount the various services can be conducted. It is almost never resorted to. The second method is more common and the chief debate on the bill arises over motions of the opposition to reduce grants. Even if it is thought the sum proposed is too small, it is customary to move its reduction in order to call attention to its insufficiency. In actual practice, the consideration of the supplies by the committee of the whole house results in little change in the estimates. It is generally understood that the individual items have undergone considerable scrutiny in their preparation and it is upon the broader lines of supervising public policy rather than upon the direction of minor expenditures that discussion chiefly centers. For this, however, the hearings serve an important purpose—the ministers must now justify every step of their course and the value of this proceeding in keeping the public informed upon the conduct of public affairs, and the departments in a position to withstand public criticism, will be at once appreciated.

[11] Quoted in REDLICH, *Procedure of the House of Commons*, Vol. III, p. 121.

Ways and Means.

Having determined the amounts which are to be granted for the conduct of the government for the ensuing year and the purposes to which these sums are to be applied, it now devolves upon Parliament to devise ways and means for meeting these charges. A second committee of the whole house, called the committee on ways and means, gives consideration to the governmental proposals for raising this amount. This committee has a two-fold function; first, the granting of sums from the Consolidated Fund to meet the needs of the supply bills, and secondly, the authorization of sufficient taxes for these services, that the fund may be replenished. The first of these duties is quickly performed and a Consolidated Fund Act is reported to the House and made law before the close of the fiscal year. But little consideration is given this measure upon its passage because it but legalizes expenditures in a manner already determined upon in committee of the whole. No amendments are in order to reduce the amount or to specify the purposes of the grant.[12]

It is the second of the duties which elicits the greatest interest. It is in this connection that the Chancellor of the Exchequer makes each year the famous budget speech, disclosing the plans of the government for raising the needed revenue. This speech is anxiously awaited by the financiers of the nation, as the conduct of public revenues has no small influence upon the general business of the country. The Chancellor reports therein upon the collection of taxes and upon the expenditures during the year just drawing to a close. He reports whether there has been a surplus or a deficit and whether it has been possible to reduce the national debt. Now too the itemized estimates of three great services, the army, navy and the civil services, are submitted.

The plan of the government for adjusting the revenues to the demands made on the treasury is then reviewed. A comparison of the sums of supplies voted, with the estimate prepared by the revenue department for the coming year upon the existing basis of taxation, shows whether a surplus or a deficit will result. In the former event the Chancellor will propose

[12] LOWELL, "*Government of England*," Vol. I, p. 286.

the remission of certain taxes, in the latter case old taxes must be increased or new methods of obtaining revenue devised.

The budget speech concluded, the Chancellor moves resolutions designed to effect the recommended changes in the fiscal laws and upon this motion the general debate ensues. As was the case in the committee of supply respecting expenditures, so in the committee of ways and means respecting revenues—no private member may propose new forms of taxation or move to increase the rates suggested by the government. His right to propose reductions is not limited, however, and his motion to repeal or reduce the taxes proposed or to lessen a tax already in existence will be entertained. He may indeed propose a substitute tax in place of one advocated by the government provided no increase in the sum total of taxes to be raised is involved. In practice, however, these rights are of little value except to bring out discussion and the consideration of the government's policies. Few changes in the budget plans are made in this way.[13]

Finance Acts of Parliament.

The committee considerations ended, two bills are reported to the House, an appropriation bill, legalizing the employment of the Consolidated Fund for the supply services, and a finance bill to adjust taxation for the year. The appropriation act is not passed by the House until late in the session, as it is intended to contain all supplies for the year. The appropriation act legalizes the grants before determined upon in the committee of supply. In its main features it consists of (*a*) an authorization to the treasurer to pay from the Consolidated Fund a specified sum for the granting of supplies; (*b*) permission to the treasury to borrow a sum not to exceed the amount above appropriated which sum must, however, be repaid within the fiscal year; (*c*) specifications that the sums granted shall be expended in accordance with certain schedules annexed to the act which recite in some detail the purposes of the grants; and (*d*) permission for the treasury to apply temporarily surpluses which may arise for the aid of other votes or for other purposes

[13] LOWELL, *Government of England*, Vol. I, p. 282.

unprovided for.[14] Since no appropriations for the year are made except in pursuance of this act, it will be seen that Parliament has at all times complete control over all expenditures. Parliament having acceded to the various proposed grants, royal orders are issued reciting the grants and desiring the treasury to authorize payment by the Bank of England. Credit is given at the bank upon the exchequer account for the required sums and from time to time the treasury directs the Bank to transfer specified sums to the "Supply Account" of the Paymaster-General. The respective departments are thereupon informed that these sums have been placed at their disposal. They are responsible for their disposition and must account for them to the Comptroller and Auditor General.

We have spoken, however, of a Consolidated Fund Act passed before the close of the fiscal year. This is made necessary by the fact that the Appropriation Act cannot be passed until near the close of the season, while the fiscal year ends March 31st. To furnish funds for the period prior to the passage of the appropriation bill, it is customary to vote grants on account for all services. Such acts are known as Consolidated Fund Acts.[15] These acts not only authorize payments, but allow the treasurer to replenish the fund by borrowing, should there be an insufficient amount available for immediate needs.

Appropriations being under way, the committee on ways and means reports the finance bill—the measure authorizing the new taxes for the year.[16] The yearly finance acts do not contain, however, all the law whereby revenues are returned to the treasury. About three-fourths of the revenue in England is raised by virtue of permanent statutes which do not require annual renewal and which, as a matter of fact, are infrequently changed. In order to balance the budget, however, certain taxes are voted for the ensuing year only and by the raising or lowering of their rates a balance between expenditure and in-

[14] For example of English Appropriation Act, see Appropriation Act 1911 [1 & 2 Geo. 5, Ch. 15.]

[15] In 1911, for example, Consolidated Fund Act (No. 1) [1 Geo 5, Ch. I] was passed just prior to the close of the fiscal year, March 29, 1911; Consolidated Fund Act (No. 2) [1 & 2 Geo. 5, Ch. 5] was passed June 29, 1911, while the Appropriation Act was enacted August 18, 1911.

[16] For example of the Finance Act, see Finance Act 1911 [1 & 2 Geo. 5, Ch. 48.] In 1911 this act was passed Dec. 16.

come can be reached. Prior to the late war the income tax and the duty on tea were practically the only annual taxes levied. Latterly the taxes affected by annual law have increased in number.[17]

Permanent Appropriations.

Not only do we find there are taxes which are in force by virtue of permanent statutes, but many of the appropriation laws as well are not re-enacted each year but run until specifically repealed.

"Certain services which are of permanent character, or which, for reasons thought sufficient by Parliament, ought not to be subject to annual vote, are *charged* once and for all by Act of Parliament on *the Consolidated Fund* and they remain so until the act is repealed. The Act is an authority to the Comptroller and Auditor General to issue the money required to defray them from the Exchequer, and to the Treasury to draw and apply that money in defraying them.

"These services are generally the interest and permanent sinking fund of the national debt, the charge of the sovereign's sinking fund, the salaries and pensions of the judges of various degrees, of some two or three officers whom Parliament considers to be judicial in their character, pensions awarded for eminent services, and a few fixed charges, to which the national faith is pledged, and which are, therefore, not liable to annual review by the House of Commons.

"All other services depend upon annual vote of the House of Commons, which has power to modify, reduce or abolish them as it pleases. This is the distinction; Parliament surrenders for the time being its power over the charges on the Consolidated Fund. It reserves to itself full power over all services not charged on the Consolidated Fund." [18] [19]

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[17] The Finance Act of 1911 affects duties on tea and coca, excises on liquor, stamp taxes, income taxes, the application of the sinking fund and death duties (inheritance taxes) [1 & 2 Geo. 5. Ch. 48.]

[18] From letter dated Jan. 2, 1912, from LORD WELBY, former secretary to the treasury, to SIR COURTNEY ILBERT, on budgetary procedure in England.

[17] The Finance Act of 1911 affects duties on tea and cocoa, excises says: "All the ordinary expenses of the government require parliamentary sanction every year, both on the theory that the money collected from the nation ought not to be spent without the consent of its representatives, and also in order that Parliament may be able to oversee the administration and criticize it every session. But there are certain matters that ought to be kept aloof from current politics, and ought not to be brought in question in the heat of party conflict. The principal charges that have been regarded in this light are the interest on the national debt, the Civil List or personal provision for the King, annuities for the royal family, certain pensions and the salaries

About one-fourth of the total annual expenditure is made under acts of Parliament imposing permanent charges on the Consolidated Fund. Payments for the remaining three-fourths are made under the yearly authorizations. Services of the latter group include interest on the unfunded debt, upkeep of the army and navy, expenses involved in the collection of revenue and the maintenance of the civil offices.

The system of continuing appropriations has contributed largely toward making the English budget the great pattern for public financiers the world over. PROFESSOR BASTABLE commends it in the following language:

"It might seem that all the expenditures and revenue should be annually voted in order to preserve complete legislative control. In fact, however, this course is neither necessary or desirable. So long as a substantial part of the outlay is subject to the discretion of Parliament and the mode of paying out the funds is under strict legal arrangements, there is no danger in making permanent provisions for the greater bulk of the public demands. Certain heads of expenditure —particularly the interest on debt and the salaries of the judiciary— are best removed from the field of party disputes. The general revenue system will not be annually changed, and it can be most conveniently fixed by permanent legislation. Such is the rationale of the English 'Consolidated Fund' into which by far the largest part of the revenue comes by virtue of permanent acts, and out of which one-third of the annual expenditure is drawn by the same authority.

"This distinction between 'permanent' and 'annual' outlay and income is useful in more ways than one. It reduces the already too heavy work of voting supplies, which might indeed be further reduced by placing all absolutely needful expenditures on the Consolidated fund. There is, besides, an advantage in retaining the greater part of the public expenditure under the annual scrutiny of Parliament so that until an item is unquestionable and its amount very definitely settled, it should not be transferred to the 'Consolidated Fund' charges."[20]

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of the judges, of the Comptroller and Auditor General, of the Speaker, and of a few officers of lesser importance. These charges amount to nearly one quarter of the total expenditures; and they are called Consolidated Fund charges because by statute they are paid directly out of the Consolidated Fund without the need of any further action by Parliament. The other expenditures are for what are known as the supply services, because the appropriations for them are voted by the House of Commons in committee of supply."

A. L. LOWELL, "*Government of England*," Vol. I, p. 120.

[20] C. F. BASTABLE, "*Public Finance*," p. 700.

And again:

"The permanent settlement of some sections of income and expenditure does not really infringe on the principle of unity. For England the annual financial statement—'the budget' in the English sense—brings together all the heads of expense and receipt as well as the movement of the national debt. The Consolidated Fund charges are definitely known, and the estimates supply information as to the remaining expenditures. The votes in committee either of 'supply' or 'ways and means' give the basis for the budgetary legislation of the year, which is in a sense supplementary to the existing laws, and combined with them, makes up the 'budget' in the wider use of the term."[21] [22]

The Consolidated Fund.

In speaking of the Consolidated Fund from which payments are to be made, we mean nothing more than the public treasury. The name alone is confusing and, as might be expected, it has an historical origin. In earlier English finances it was frequently thought advisable to guarantee the payment of certain debts as well as the interest thereon by pledging in their behalf the receipts from certain designated revenues. This practice was extended, however, so that practically the whole revenue was pledged to the support of certain specified services. The revenue collecting agencies of government returned but their net receipts, the expenses of conducting their departments being first deducted. The credit for the creation of the Consolidated Fund belongs to Pitt, who in 1787 put an end to the cumbersome method of allotting special duties to separate services and created a general fund into which all revenue was to be paid and out of which all expenditures were to be defrayed. Certain preferential payments were, however, provided for. The cost of the public debt constitutes a first charge; the civil list amounting to £1,000,000 follows, and then in addition, certain pensions. Two recent innovations are thought to simplify the

[21] Page 702.

[22] In speaking of the French method of budgetary procedure, Mr. BODLEY writes. "French critics * * * admire the English system of 'a two-fold budget', the one established in permanency, the other liable to annual discussion and modification" (quotation from speech of M. JULES FERRY, Senate, 20 Mars 1885) the charges laid by statute on our Consolidated Fund, including the Civil List and the judges' salaries, not being annually voted and not being liable to suspension without special legislation." J. E. C. BODLEY, "France," Vol II, p. 230.

accounts—the "appropriations in aid"—some departmental incidental incomes may be used for expenses in such departments and certain parts of the national income may be used to supplement local taxation without passing through the consolidated fund.[23]

With power over the estimates so complete and the administration of fiscal affairs so well organized, and with the irresponsible amending power of Parliament curtailed, we are not surprised to note that the expenditures and receipts of the kingdom are well balanced. In recent years the difference between estimated and actual receipts and between estimated and actual expenditures has scarcely been above two per cent, with the exception of the year of the Boer war.[24] This desirable effect is not reached, however without special means of adjusting the revenues to the needs of the various services. Occasionally necessity is shown for a supplementary estimate after the regular estimates have been submitted and the government must recommend that additional funds be granted. Again, it may happen that a department has spent more than Parliament authorized for one particular service. If the public accounts committee approves this action it may recommend that an excess vote be passed to make up the deficiency.[25]

But it may happen that an emergency arises after the prorogation of Parliament or during a recess and funds may be demanded immediately. For such emergencies two contingent funds are provided, the treasury Chest Fund and the Civil Service Contingencies Fund. The former is a banking fund fixed in amount by statute[26] at a sum varying from £700,000 to £1,000,000 and which is, in fact, kept by Parliament at its maximum. From this source temporary advances are made to sub-

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[23] Lowell, *op. cit.* p. 115.

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Revenue receipts above budget estimates		Expenditures less than budget estimates	
1895	½%	1895	6/100%
1900	7½% (Boer war)	1900	2/100%
1905	6/100%	1905	6/100%
1906	1%	1906	1%
1907	1½%	1907	2%
1908	2½%	1908	1%

Lowell *op. cit.* Vol. I, p. 119.

[25] 40 & 41 Vict. Ch. 45; 56 & 57 Vict. Ch. 18.

[26] ANSON, "*Law and Custom of the Constitution*" Vol. II p. 346.

accountants of the army, navy and civil service abroad. The civil contingencies fund is fixed at a maximum of £120,000 and the departments who are the beneficiaries of these grants are expected to reimburse the fund when Parliament has sanctioned the expenditures. It is also possible for the treasury to grant the use of incidental receipts in aid of departments, a minute of the transaction being laid before Parliament.[27]

The annual report on the finance accounts is made by the treasury as soon as possible after the close of the fiscal year. By the end of June this report is usually prepared, giving the amounts for each source of revenue which reaches the consolidated fund and an account of all disbursements. This report is essentially a statement of cash transactions. The debits listed do not necessarily indicate actual expenditures, but are the amounts placed to the credit of the respective services in the Banks of England and Ireland. Credits not drawn by the end of the year lapse and are not available unless again voted by Parliament. This practice differs from the French system, whereby the unexpended balances as well as the arrears in revenues are carried from one year to the next and the books of each year kept open until all the transactions of income and expenditure provided by law for that year have been carried out. Under the English system only such revenues as are actually paid in are credited during that year.

THE AUDIT.

The examination of the accounts of the various departments takes considerable time and the report on this phase is usually delayed until the end of the following November, when a complete and detailed account is submitted. This work is done by one designated as "the comptroller and auditor general"—an officer responsible to the House of Commons rather than an official of the treasury department. He holds his office during good behavior and his salary is a permanent charge on the consolidated fund. His report is in three volumes, dealing respectively with the army, the navy and the civil service, and is laid before the House in February of the next year. Excesses and savings over the estimates are noted. Where savings on certain items balance ex-

[27] LOWELL *op. cit.* Vol. I p. 126.

penditures on others, no parliamentary action is required, but unauthorized expenditures must be covered by deficiency appropriations to be made by Parliament.[28] A committee of the house, consisting of eleven members and known as the committee of public accounts, examines the reports, if necessary takes up various phases of the accounts with the appropriate officials, and reports to the House. Its recommendations are brought to the attention of the various departments concerned in the form of treasury minutes.

There are two cases in which the examination and approval of accounts given by Parliament afford the only opportunity that body has of reviewing the financial affairs. The estimates for services in India and for Greenwich Hospital are not submitted for approval. In the first instance it is thought better that the government of that country should be conducted by those on the spot, since they are believed best competent to do it and that the opportunity for supervision and criticism by the House is sufficient. Toward the last of the session the House goes into a committee of the whole to consider Indian affairs. A general debate on the subject then ensues and a formal motion is made certifying the total revenue and expenditure. The expenses of Greenwich Hospital are defrayed out of its revenues, their accounts being subsequently approved by Parliament.[29]

Until very recently money bills which had been passed by the lower house had still to receive approval by the House of Lords before becoming law. While this body had no power to amend these measures, it might nevertheless refuse to give its assent and return the unapproved bill to the Commons. This the Lords may no longer do. By the Parliament Act of 1911, money bills sent up to the House of Lords one month before the end of the session must be passed by the Lords within one month. If the bill is not passed within this period it is nevertheless to be presented for royal assent and will be law notwithstanding the refusal of the Lords.[30] It will thus be noted that in respect to these measures, (and indeed to any public bill, which can survive two years' delay), the power of the second body has been taken away

[28] LOWELL, *op. cit.* p. 122.

[29] LOWELL, *op. cit.* p. 290, citing MAY *"Constitutional History of England."* pp. 564, 565.

[30] 1 & 2 Geo. 5, Ch. 13 (Aug. 18, 1911).

so that there is in fact but a single chambered Parliament. The advantages of two-chambered legislation are reached, however, by the cabinet system. Measures are first discussed in secret cabinet meetings and put into form for presentation in the House. When the measures are debated in the House, opportunity is given for a review of this action and in this way the advantages of the bicameral parliament are practically reached. [81]

[81] MACY, "*The English Constitution*," p. 45.

CHAPTER V

THE BUDGET IN GERMANY.

ORGANIZATION OF THE GERMAN EMPIRE.[1]

The German Empire forms "an eternal union for the protection of the realm and the care and welfare of the German people."[2] It is a federation of twenty-five states consisting of four kingdoms, six grand-duchies, five duchies, seven principalities, three free towns and the imperial domain of Alsace-Lorraine. These member-states are not, however, of equal influence in imperial affairs. Prussia is predominant and because of her control over the executive and her larger representation in the legislative branches wields a power commensurate with that of the other states combined. To the king of Prussia belongs the presidency of the confederation. He has the title of German Emperor and the duty of representing the empire among nations. With the consent of the Bundesrat he may declare war and with the consent of the Bundesrat and the approval of the Reichstag[3] he may enter into alliances and treaties with foreign countries.

The Kaiser is irresponsible, his official acts are performed through one known as the Imperial Chancellor whom he appoints and whom he may remove at pleasure. This official is the per-

[1] The information on the German government is based largely on the works of B. E. HOWARD *on The German Empire*, A. L. LOWELL, *Governments and Parties in Continental Europe*, and of WOODROW WILSON on *The State*. The account of budgetary procedure is chiefly based on an excellent treatise prepared at the request of the department of state by MR. LAUGHLIN, secretary of the American embassy at Berlin.

[2] Preamble of German Constitution.

[3] Constitution of German Empire, Art. II.

sonal representative of the Emperor of Germany. He is the sole responsible minister of the empire and in him centers all administrative authority. There are fourteen ministers besides the Chancellor. They do not, however, form a cabinet, but each acts independently of the others and under the Chancellor's general direction, they are his subordinates rather than his colleagues. There is no responsibility to either legislative branch such as we find in England. The ministers are responsible only to the Chancellor who is responsible to the Emperor. All minor officers of the imperial service are appointed by the Kaiser under the countersignature of the Chancellor with whose assent their terms of office may be terminated. Legislative authority is also centered in the Chancellor since he is chairman of the Bundesrat.

The imperial legislative authority is vested in two bodies, the Bundesrat, and the Reichstag. The former is a federal council and in truth a body of ministers from the states which form the union. Its members bear the character of ambassadors or diplomatic agents and are sent and recalled at the pleasure of the government which they represent. They vote in accordance with the instructions given them. It will thus be seen that this is not a deliberative body and that each state delegation votes as a unit. It is not expected that a state delegation will vote on a question in which it is not itself interested. The number of delegates, and consequently, the votes each member-state possesses is fixed by the constitution. In accordance with this arrangement, Prussia is given seventeen of the fifty-eight delegates,[4] Bavaria six, Saxony and Wurttemberg four each, Baden and Hesse each three, Mecklenburg-Schwerin and Brunswick each two, with a single delegate for each of the other states. The Bundesrat is unique among parliamentary bodies. It is the pivot of the empire and comprises in its membership the leading politicians of the respective states and experienced administrative officials. Upon them must depend the enforcement of laws therein sanctioned and thus the legislative and administrative functions of government[5] are effectively correlated.

The Imperial Chancellor is the chairman of the Bundesrat and must be one of the seventeen representatives of Prussia. In case

[4] Prussia also controls three other votes, making a total of twenty votes in the Bundesrat.

[5] B. E. HOWARD, "*The German Empire*," pp. 48, 49.

of a tie he casts the deciding vote which is, of course, the same vote given by the other Prussian delegates.

The peculiar organization of the Bundesrat obtains in the twelve standing committees of the house. Four states besides Prussia must be represented on each and no state has more than one vote in any committee. The Prussian delegate is chairman of every committee except that of foreign affairs. Inasmuch as the Chancellor is a Prussian minister, Prussia needs no representative on this committee and indeed is not represented. The chief function of these committees is to prepare reports for the Bundesrat and they may sit during the recess of the House. [6]

The right of convening the Bundesrat and Reichstag and of opening, adjourning and closing them is vested in the Emperor. They must be convened annually and although the Bundesrat may be called without the Reichstag for the preparation of business, the latter may not be convened without the Bundesrat. One-third of the total membership of the Bundesrat is sufficient to demand that the body be convened.[7] The duties of the body are, to take action on (1) measures to be proposed to the Reichstag and the resolutions passed by them; (2) the general administrative provisions and arrangements necessary for the execution of imperial laws when no other provision is made by law; and (3) the defects which may be discovered in the execution of the imperial laws or in the arrangements of the administrative provisions. Each member of the confederation has the right to present motions and the president must submit them for deliberation.[8] Membership in the Bundesrat carries with it the right of appearing in the Reichstag and of there presenting the views of one's government, even though these be the minority views of the Bundesrat. The privilege of appearing before the Reichstag in defense of measures submitted from the Bundesrat is frequently exercised by the members especially by the Chancellor himself. One may not be at the same time a member of both bodies.[9]

Although each chamber has the power of originating measures, in practice this privilege is little used by the lower house. The usual course is for bills to be presented in the Bundesrat and if

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[6] HOWARD, *op. cit.* p. 56.
[7] Constitution, Arts. 12, 13, 14.
[8] Constitution, Art. 7.
[9] Constitution, Art. 9.

they are there approved, to then go to the lower house. Here amendments may be offered, but whatever action is taken, the measure, if it is to be a law, must first be returned to the upper chamber before being presented for the Emperor's signature. The *sanction* of the law comes from the approval of the Bundesrat rather than the Emperor. In practice the more important bills are here, as in other responsible governments, framed by the administrative authorities, presented by the chancellor and carried through the house as government measures.[10]

We have noted that the Bundesrat has administrative as well as legislative duties. These consist largely in supplementing by administrative arrangements, defects appearing in the execution of the laws or in making necessary orders for carrying out the legislation of the empire. This power does not extend to law-making or the repeal of ill-advised legislation, it pertains to changes in the form rather than in the substance of the law. To the Bundesrat, thus belongs a sort of supervision over the execution of the law.[11] Its influence is felt also in the selection of some of the important imperial officers.[12] The consent of the Bundesrat must be secured for a dissolution of the Reichstag.

The German legislative bodies are constructed upon the theory that the Bundesrat represents the individual states and the Reichstag the German nation. The latter body is a popular assembly elected by universal suffrage for the term of five years. There are at present three hundred and ninety-seven members of which two hundred and thirty-six are Prussians. The president, two vice presidents and the secretaries are elected and the House is divided by lot into seven equal sections. In the place of standing committees, such temporary committees as are necessary, are selected by sections, each section being equally represented.[15] The meetings of the Reichstag, unlike those of the Bundesrat, are open to the public but the committee meetings may not be attended by those not members of the Reichstag.

The Reichstag meets only upon the summons of the Emperor.

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[10] WILSON, "*The State*," secs. 504–506.

[11] HOWARD, *op. cit.* p. 61.

[12] These are ninety-two in number and appointed by the emperor on advice of the Bundesrat.

[14] Constitution, Art. 24.

[15] WILSON, *op. cit.* sec. 526.

The Emperor may prorogue the Reichstag once during each session for a period not longer than thirty days and, with the consent of the Bundesrat, he may dissolve the body. In this event new elections must be held within sixty days and the new house must be called together not later than ninety days after the dissolution. [16]

THE IMPERIAL BUDGET—PROCEDURE

It is the duty of the Imperial Chancellor to present the annual budget to the Bundesrat, but the compilation of this report is in charge of the secretary of the imperial treasury. The local authorities submit estimates of their anticipated revenue and expenditure to the provincial authorities who classify them and submit them to the appropriate ministries. Here they are again examined and arranged and the estimates of income and expenditure presented in the form of a budget. The departmental estimates are made up, as a rule, with little knowledge of what the imperial resources will be and in consequence they usually greatly exceed the expected receipts; it therefore devolves upon the imperial treasury, which has in mind the general financial condition of the empire, to so reduce the demands as to secure a budget balance. The power of the treasurer to reduce the departmental estimates is not so great as in England, but the power at his disposal is usually sufficient for his ends. He has, in fact, a considerable influence over other departments inasmuch as his assent is required for expenditures in excess of estimates or for extra-budget expenditures. Differences of opinion respecting appropriations for departments are submitted to the Chancellor. The estimates are presented to the Emperor by the Chancellor before submission to the Bundesrat. Two forms are used, the principal budget and the ministerial budget, the latter showing in greater detail what has been summarized in the former. The German budget is highly specialized, some one thousand seven hundred titles are used, while France has seven hundred and England but three hundred. Explanatory statements accompany the estimates under the head of remarks and also in the form of departmental documents. The budget contains estimates of both receipts and expenditures and must

[16] Constitution, Arts. 24, 25, 26.

be fixed by law prior to April 1st, the beginning of the fiscal year.[17]

Upon the introduction of money bills, a general debate ensues. Caucuses are held by the various political parties and their views are expressed upon the proposals involved. The standing committee of financial accounts of the Bundesrat receives the budget and reports it to the full house. After the measure is passed by the Bundesrat it is submitted to the Reichstag for approval and then returned for the sanction of the upper chamber and the subsequent promulgation of the emperor.

The budget committees deal with both revenue and expenditures. In the Reichstag the committee is composed of members who represent the various political parties in proportion to the strength of each party. The situation here reached is not unlike that found with respect to the Cabinet in England. In this latter country with but two dominant parties, the Cabinet is formed of the majority party in the Commons and thus it may be expected that their conclusions will be followed in the House. With the many parties to be found in Germany, this end is approximately reached by the representation herein mentioned. Mr. Laughlin says of this: "The practice has the advantage that the decision of the committee usually determines the decision of the chamber as a whole; while its drawback is that representatives are sometimes chosen on party grounds and not because of their financial knowledge. When the budget committee has finished its deliberations, it reports orally, through a general and special report to the chamber. These oral statements give only a brief and limited exposition of the subject."

Recurrent and Non-recurrent Items

An important feature of the German budget is its division into "Recurrent and non-recurrent" items. Those services which are regularly periodic are grouped under the former head, the more unusual items are placed under the latter caption. New charges are not as a rule placed in the first class, but only those items which constitute the stable element in finance are included. The extraordinary items in the non-recurrent group become the theme of the most extensive parliamentary controversies. This

[17] Constitution, Art. 69.

is the principle recognized in the imperial budget—its application is a matter of extreme difficulty and questions of the proper place in which to group the individual charges form the basis of endless controversies among German financial authorities. There is an attempt to remove the non-controversal items from the field of discussion so that attention may be directed with greater facility toward those charges of questionable merit. The two-fold advantage is thus gained of giving greater stability to those purposes to which the government is committed and which will eventually necessitate public grants, and of making possible an examination and discussion of practically the whole of the finances at each session. The danger of having the projects adopted summarily in toto by the legislature, or of having changes made at random, is thus greatly lessened, but those subjects most worthy of attention may be selected for debate. As MAX VON HECKEL says:

"In this manner it would be possible to examine the fluctuating portion of the budget so much more closely, which would bring about favorable political results, as well as practical effects for the financial administration. The defenders of parliamentary interests urge against this arrangement that it causes a decrease of the legislative rights of appropriation. This, however, is only apparently the case, since in those items which would be included in the constant budget, the legislative right of appropriation is in reality an empty one." [18]

This German plan recognizes a fact which the French might follow with profit—that a large part of the budget is practically removed from the disposition of the legislature and approval is but a formal matter. Among these appropriations of a permanent character are found grants for services undertaken at previous sessions or services relating to vital interests of the state where it is essential that some permanent policy be pursued. [19]

[18] *Das Budget*, p. 52.

[19] To quote HECKEL. "Such agreements (between the administration and the legislature respecting the permanency of grants) are desirable in the case of matters for which, for technical or political reasons greater stability or a longer period of years is necessary * * * For long enterprises * * * this procedure seems most practicable." MAX VON HECKEL, "*Das Budget*" (1898) p. 52.

Revenues

Receipts as well as expenditures are provided for in the budget bill. The expenses of the empire are defrayed from customs, excise taxes and profits from certain of the state activities such as the post office, telegraph and railways. What is then lacking is supplied by contributions from the member-states assessed in proportion to income. These assessments are known as the matricular contributions and amount to about fifteen cents per capita.

Private Members' Rights

The limitations upon the rights of individual members, which were noted in the English procedure, do not here obtain. In England no private member may introduce a motion to affect a grant except to suggest a reduction in the amount. A member's right in Germany extends to any motion he may wish to make with reference to the finance bill. He must, however, secure the signature of fifteen other members to his proposal and submit his motion upon the second reading of the bill. It is a moot question whether items may be inserted in the budget which call for new expenditures or whether the amounts for items already provided for may be increased. In practice increases are made only with the consent of the government and proposals for expenditures are examined by a committee. Even the exercise of the right of refusing items is infrequently used. Interpellations are freely resorted to, especially in the lower house, and it is thus that the government is subjected to a searching questioning respecting its fiscal policies. Thus discussion is thought to be fostered because of the detail with which the estimates are submitted.

Annual Appropriations

The German constitution provides that all receipts and expenditures shall be estimated for each year and included in the budget, and that the general appropriations shall, as a rule, be granted for one year.[20] A careful reading of the constitutional

[20] Constitution, Arts. 69, 71.

provision will not show, however, that the budget must be voted each year. It is only required that all receipts and expenditures be estimated for each year and included in the budget. This does not preclude voting supplies to be paid at a time subsequent to the close of fiscal year nor indeed does it forbid provisions for periodic payments.[21]

Germany has no continuing appropriations like the English charges upon the Consolidated Fund. All grants are renewed each year with the exception of the appropriation for the support of the army, which is made for seven years. But it by no means follows that the support of state services is jeopardized by the failure of one of the houses to make appropriations. On this question HOWARD says:

"One of the most fundamental principles of constitutional law is that existing rights and institutions of the state, founded in law, may be amended and changed only with the consent of the sovereign and of the representatives of the people, and not by a one-sided act of either of these organs alone. It follows as an irrefutable consequence, that the Reichstag cannot suspend or repeal existing laws by a one-sided refusal to furnish the means necessary to the execution of them; that the continuance in force of the imperial laws and the permanence of imperial institutions shall not be put annually into the hands of the Reichstag, to be granted or suppressed at pleasure. It follows that the right of the Reichstag to grant expenditures is limited and bound by the existing laws and institutions of the empire, and that the expenditures which are necessary to the carrying out and maintenance of the same may not be refused. The budget is not a law organizing the whole empire for each year, it is a plan of administration, a program. It presumes, therefore, a legally established organization as a fixed foundation.

"So far, then, as the right of the Reichstag to grant them is concerned, the expenditures fall into two categories: those which may be designated as discretionary, and those which may be classed as necessary from the standpoint of constitutional law. The first group may be refused by the Riechstag at pleasure, and its consent has the character of an actual grant, without which the imperial government is not authorized to make the expenditures at all. The second group, however, may not be stricken from the budget by either Bundesrat or Reichstag alone, without the consent of the other. The granting of these expenditures is the constitutional duty of the Reichstag and does not partake of the character of an authorization of the government to pay, but of a recognition of the necessity or appropriateness of the expenditures. The proper legal ground on which the expenditures

[21] ADAMS, "*Finance*," p. 3; HOWARD, *op. cit.* p. 306.

rest is found in the imperial law or treaties. Formally, all these expenditures are also subject to the grant of the Reichstag, since the budget law, like all other laws, can contain nothing which has not the consent of the Reichstag; but materially this is no true grant, for the reason that the Reichstag is not empowered to refuse it."[22]

He has thus utterly failed to appreciate the spirit of the imperial government who contends that the annual review of appropriations in Germany raises periodically the question of the continuance of most of the appropriations. As Adams puts it:

"The German people, who, from the point of view of constitutional government, cannot safely go as far with permanent financial legislation as the people of England or of the United States, do, as a matter of fact, go much further. With regard to expenditures, the government enjoys a guarantee that established institutions will be maintained.

"The lesson to be learned from the practice of Germany is that permanency in the assignment of moneys to the various branches of the public service is one of the requisites of efficient administration, and it should be the ideal of those people who aim to develop popular government to so strengthen the non-financial checks upon the arbitrary exercise of power as to permit an extension of permanent appropriations. England and the United States seem to have assigned greater importance in the adjustment of their budgetary methods to political liberty than to administrative efficiency. Germany, on the other hand, assigns greater importance to administrative efficiency than to political liberty."[23]

The constitution contemplates the voting of the budget annually before the beginning of the fiscal year. It may happen, however, that the new year opens before the law has been passed, or the budget may have been refused by one of the houses. This does not necessarily mean in Germany that the business of government must stop, nor even that the individual services are to be cut off. It is within the power of the administration to maintain such governmental activities as are dependent upon permanent laws and of expending necessary money until proper support or "indemnity" is provided in the budget.[24] Loans may also be made at the Imperial Bank for needed funds during a parliamentary recess. Revenue laws are alterable only by statute and neither house alone is competent to refuse the govern-

[22] HOWARD, *op. cit.* pp. 307, 308.
[23] H. C. ADAMS, "*Finance*," pp. 160, 161.
[24] HOWARD, *op. cit.* p. 310.

ment final support. Only with respect to new taxes and loans are yearly grants required. An annual report of the expenditure of all revenue of the empire must be presented through the Chancellor for the approval of the Bundesrat and the Reichstag. [25]

The Audit

Attempts have been made from time to time to organize a committee of audits, but the bill has never received the sanction of both houses. [26] In practice, since many of the boards and commissions to be examined are Prussian, the system of audits of that kingdom has been used to a considerable extent. The Imperial Chamber of Accounts (Rechnungshof) and the Prussian Upper Chamber of Accounts (Oberrechnungskammer) are both located at Potsdam and have a common president, although they have separate staffs. The members of these chambers may not hold any office nor be members of parliament nor be related to each other. Their jurisdiction extends both to the control of the imperial finances and to questions respecting the disposition of state property. They possess a sort of judicial character and are charged with searching out weaknesses and recommending improvements in the imperial fiscal systems. Their judgments have not, however, the weight of judicial decisions, nor does the court possess the power of an administrative board, but they report to the Bundesrat matters which they wish to criticise or which involve issues with the Chancellor. They must check the accounts of the imperial budget; those relating to the purchase and sale of property of the empire, debt administration, the invalid fund, the imperial war treasure, the Imperial Bank and the budgets of Alsace-Lorraine and the protectorates. The report of the court is made to the two houses and the acceptance of the report relieves the Chancellor from the responsibility resting on him as administrator of the public finances. [27]

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[25] Constitution, Art. 72.
[26] HOWARD, *op. cit.* p. 313.
[27] HOWARD, *op. cit.* pp. 315, 316.

THE PRUSSIAN BUDGET

Prussia, the dominant state of the German Empire, is a kingdom, although in the organization of the legislative branches and with respect to their relation with the executive, some variation is shown between these imperial and royal types. So far as their fiscal organization is concerned, they are nearly identical.

The executive functions are centered in a king, who is also emperor of Germany, and in nine ministers whom he appoints and who hold office at the royal pleasure. The legislative authority is vested in the king and in a Landtag—a two-chambered legislature consisting of a House of Lords (Herrenhaus) and a Chamber of Deputies (Abgeordnetenhaus). The House of Lords is composed of both hereditary and life members. The number of members is not definitely fixed but is about 300.

The lower house consists of four hundred and thirty-three members and is popularly elected, but not by equal suffrage. The representatives are elected from districts and the qualified electors of each district are divided into three groups according to the amount of direct taxes each elector pays. Each group represents one-third of the total taxable property of the district and each group has equal choice in the selection of representatives from the district. Elections are for periods of five years, subject to the power of the king to dissolve the chamber. When this is done, new elections must be held within sixty days and the new body must convene within ninety days. Once during each session the king may adjourn the Deputies for a period not to exceed thirty days. Regular sessions are called each November and special sessions as required. The king opens and closes the Landtag in person or by a minister and both houses are convened and adjourned at the same time. Sessions are usually held with open doors.

Preparation and Vote on Budget

The preparation and voting of the budget follows closely the method in use in the empire. Estimates of needed funds for the ensuing fiscal year are prepared by the administrative departments and sent to the minister of finance. Here they are

arranged in the budget. The minister of finance has no right of rejecting proposals of his colleagues, but he has sufficient influence to keep departmental requests within bounds. When formed, the minister of finance presents the project to the Kaiser and the Imperial Chancellor, who is also minister president of the Prussian cabinet, and subsequently to the Landstag. Estimates of receipts are submitted at the same time and the various items of the budget are accompanied by "explanations" and "remarks" relating to the necessities for such expenditures. The number of items included exceeds even the number found in the imperial budget, some two thousand titles being used. Frequently various documents are also submitted which shed light upon the services contemplated. Special public improvements, contrary to the custom in the empire, are financed in separate acts rather than in the regular budget.

The budget bill is introduced in the Prussian lower house. This body is organized for committee work after the manner of the Reichstag, and after receiving the oral report of this committee the bill is considered and sent to the Herrenhaus with such amendments as have been made. This body may reject it *in toto* but it may not amend. Private members of the House of Representatives have the right of introducing amendments to the finance bill similar to those possessed by members of the Reichstag with respect to the imperial budget, but it is doubtful whether this right extends to the insertion of new charges. Here as there, it is necessary to have motions supported by the signature of fifteen other members. Criticisms are frequently made respecting the financial management and interpellations are resorted to. If a member wishes the government to answer his criticisms, his interpellations must have the support of thirty members. There is no annually recurring right of refusing grants of revenue, only a legislative act may change these. New duties and taxes are separately granted as in the Empire.

Respecting the annual vote of supplies, what has been said of the German Empire is equally applicable here, and even a failure to pass the budget would not be fatal to governmental activities. The government is bound to support certain of these undertakings and subsequent sessions will be looked to for "indemnities." Bismarck conducted governmental affairs from 1863 to 1866 without a budget. Taxes were collected under standing laws which needed no reenactment and could not be

changed without the consent of the crown. There is a doctrine that in case the houses are unable to agree on appropriations, the king is entitled to conduct the government in accordance with existing law. No similar instance has since arisen and the point is still an unsettled one in German constitutional law. It is the better view among German jurists, however, that since one house alone may not repeal a law, it has no power to accomplish the same result by refusing to vote supplies and in case of a disagreement between the two houses, the Kaiser may make necessary expenditures.[28] There is a small fund of one million marks ($250,000) which the crown is at liberty to use for "unforseen expenditures."

THE BUDGET IN OTHER GERMAN STATES.

Saxony.

Procedure with reference to finance measures follows much the same course in other German states. In Saxony the royal power is perhaps greater than elsewhere. Here the Finance Minister has the right to veto items asked by other departments where he does not approve of such expenditures and the king may require the Landtag to accept or reject bills in the forms in which they were introduced. Taxes are customarily voted for but one year but in case supplies are not voted, the government may collect and expend money on its own authority for the period of a year. The consent of both houses of the Landtag must be secured to finance as well as to other measures. In case of disagreement, a conference committee is appointed and their report may be rejected only by a two-thirds vote.[29]

Bavaria.

The Bavarian Landtag must be summoned each year and it has practical control over the budget. Its assent must be secured for all laws imposing direct taxes or making changes in the indirect taxes.[30] As in the German states generally, the

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[28] See LOWELL, *Governments and Parties in Continental Europe*, p. 239, 298.

[29] LOWELL, *Governments and Parties in Continental Europe*, Vol. 1, p. 336.

[30] LOWELL, *op. cit.* Vol. I, p. 338.

legislature has no right of refusal respecting items relating to salaries for existing positions and such obligations as were entered into on the basis of preceding legislation.[31] Taxes not in the budget may not be levied for a period longer than six months.

Wurttemberg.

In Wurttemberg the king has the sole right of initiation in financial matters and may take steps to secure the safety of the state even when the legislature is not in session. The Ständeversammlung, or legislative body, is usually summoned each year, although the constitution only requires its convocation once in three years. Taxes not in the budget may be levied for four months. All laws granting appropriations or authorizing taxes require the consent of the Ständeversammlung but that body may not propose new taxes or the issuance of loans. The House of Lords may not amend the budget as passed by the Chamber of Deputies and if they reject it, the sum of the affirmative votes of each house is noted and if this be a majority of the two houses the bill is considered passed.[32]

Baden

The Landstände of Baden must be summoned every two years and taxes, loans and appropriations require its assent. In cases of necessity the government may spend money and look to the subsequent approval of the legislature. In war the government may of its own authority levy taxes and when the budget is not voted it may collect taxes for six months. Should the upper house reject the budget the practice followed corresponds to that in use in Wurttemberg.[33]

Hesse

The procedure in Hesse is similar, but when one chamber rejects a bill the government may submit it at the next session and consider it accepted when the whole number of affirmative votes of both chambers exceeds the number of negative votes.[34]

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[31] BUCHENBERGER, *Finanzpolitik und Staatshaushalt im Grossherzogtum in den Jahren 1850–1900*, p. 5.

[32] LOWELL, *op. cit.* Vol. I, p. 342.

[33] LOWELL, *op. cit*, Vol. I, 344.

[34] LOWELL, *op. cit.* Vol. I, 348.

CHAPTER VI

THE FRENCH BUDGET.[1]

Organization of the French Government

The government of France is republican in form. The legislative power is vested in a Chamber of Deputies and a Senate and the executive in a president and ministry. The Chamber of Deputies consists of five hundred and ninety-seven members elected by universal suffrage from the various *arrondissements* for terms of four years.

It was the original design that the second chamber or senate should have equal power with the lower house, but is has come to exercise a secondary position. It is composed of three hundred members elected for terms of nine years, one third being elected every three years. They are chosen by indirect election by electoral colleges consisting of first, delegates from the council of each commune in proportion to population, and second, by the department's councilors-general and district councilors of the department. Two hundred and twenty-five senators are elected in this way and under the organic law of 1875, seventy-five senators were elected for life by the united chambers. By the law of 1884, however, vacancies from the class of life senators are to be filled by men holding the ordinary senatorships. Both chambers meet on the second Tuesday of January of each year unless called prior to that date by the president. They are required to be in session five months each year. Bills may be presented by the ministry in either chamber, but money bills

[1] This account of the organization of the French government is based principally upon WILSON, *The State*. secs. 402–436.

must originate in the lower house. Private members have the right to initiate projects for legislation.

The President.

The President is elected by the National Assembly (the Senate and Chamber in joint session) for a seven year term by an absolute majority of the votes of the Assembly. It is the duty of the president to promulgate the laws of both chambers and to carry them into execution. He may demand that the chambers reconsider any legislation they have agreed to, but he has no veto power. Every act of the president must be countersigned by a minister. He can adjourn the chamber at any time, though not more than twice in the same session and for not more than one month. He may close an extra session when he chooses, or a regular session after it has been in session five months.

The President appoints twelve ministers who are responsible for his acts. Whether or not they are members of the chambers, they have the right to attend the sessions and take part in debates. Their right to speak may not be shut off, even by moving the previous question. Even the under secretaries of finance, interior, colonies and fine arts have a similar privilege, although usually these are members of the chambers.

The ministry to has general oversight over the administration. Although the ministers are the appointees of the president and likewise his subordinates, they have in fact control over his policies. It is necessary for a minister to sign every act of the president, and inasmuch as practically all decrees require expenditure, many of his acts come doubly within their province. The president is limited in actual practice in his appointment of ministers to those who will agree with the lower house and they are responsible to the chambers alone for their conduct in office. This is the responsibility determined by law rather than by custom as is the case in England. The president is therefore a weak official, the executive being embodied in the ministry.

French and English Cabinet Systems Compared

In France, as well as in England, the ministry resign when the legislative branch refuses to carry out their policies. This procedure does not work as satisfactorily in France as in Eng-

land, because parties are not organized so well for that purpose, nor is the French temperament so well fitted to the parliamentary form as the English. It was the original design, as we have said, that the ministry should be jointly responsible to the two houses, but as PRESIDENT LOWELL has pointed out, this is a theory impossible of realization. Responsibility can be held but to one body and that will always tend to be to the more powerful body, and where elections by the people may be freely resorted to, will normally place the responsibility upon the popularly elected house.

As in England, so in France, ministers are held responsible with respect to their policies and must answer before the chamber for each phase of their work. This is done through a series of questions and interpellations. The first is conducted through written questions which are formally answered. The interpellation is a form of challenging the policy of the cabinet. Although a question can be put only with the consent of the minister, it may place him upon defense with respect to every phase of his official duty. This power is used here as it is in England as a method of discrediting the cabinet rather than of directing honest discussion on matters of public policy. The rapid change of cabinets in France is due in no slight measure to the inconsequential controversies which are developed in this manner. The cabinet does not consist of members of a single party as in England, but represents various combinations and factions in the chambers. Administrative acts may also be brought to question before the chamber by a legislative committee of investigation.

The essential difference between the English and French cabinet systems of government lies in the relations these two bodies assume toward the lower houses. It will be remembered that the British cabinet is composed of the leaders of the dominant party in Parliament, and that they hold their position in the cabinet so long as they hold their leadership in Parliament.

With respect to the French cabinet, however, little unity is to be found. The ministers but nominally represent the chamber and their tenure is of a short and precarious nature. They are looked upon not as the leaders of the chamber, but as an opposing group, and the duty of the chamber is to oppose and criticise rather than to support them in their projects. This tends to discredit the work of the ministry rather than to strengthen it

and leads to the isolation of the executive from the legislative work. In addition to this, the fact that the cabinet is so dependent upon Parliament for its tenure of office and the acceptance of its policies, operates to make the ministry a subservient group that dare not stand upon their program of legislation, backed by a dominant faction in Parliament, as may the English cabinet, but they are likely to be called upon to forfeit their position because of the quickly formed cliques and groups which develop antagonistic sentiments.

THE BUDGET.

The basic principle, therefore, in the British parliamentary system, the direct responsibility of the ministry for their program, is lacking. With respect, however, to the right of individual members to suggest changes in the budget estimates, some attempts have been made to direct the governmental policy along more scientific lines. By rules adopted in 1900,[2] proposed amendments must indicate the article of the law or the chapter of the budget to which they pertain, must be reduced to writing and put in the hands of the president to be transmitted to the committee. With respect to the budget law, no amendment or attached article tending to increase the expenditure can be made after the third session following the discussion of the report in which the chapter under discussion appeared. No proposition tending either to enlarge the salary, indemnities and pensions, or to create new services beyond the limit of the law in force may be made under the form of amendments or additional articles to the budget. When the general discussion is closed on the subject of the bill, the president consults the chamber to know if they wish to pass on to a discussion of the articles. In case they do the president announces that the bill is not adopted and each article is taken up with its amendments as it is reached. Before a definite vote is reached, all deputies have the right to present various questions upon their adoption or rejection.

But the essential function of the representative assembly as a controller rather than an originator of fiscal measures, has never been grasped by the French.

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[2] Rules of the Chamber of Deputies, article 51, *bis*, and 29 adopted, March 16, 1900.

"All the great native authorities on finance of every shade of political opinion, from M. Leon Say to M. Paul Leroy-Beaulieu, have uttered the gravest notes of warning; and no words of an English statesman have been more often quoted of late years in France than those of Mr. Gladstone, when he laid down in 1866, the sound principle that the constitutional duty of a legislative chamber is not to augment but to decrease expenditure. It is not only economists brought up in the English school who have recognized the danger of the system in vogue. In 1881 French budgets, though only ten years had passed since the levy of the crushing war indemnity, were models of economy compared with the swollen estimates of to-day, unprecedented in Europe in time of peace. Gambetta then, with singular foresight, anticipated the abuses which have expanded since his death, and in his project of revision proposed that the Chamber of Deputies should be conceded the last word in parliamentary controversies on finance in consideration of its renouncing its power either to increase any estimate in the budget presented by the minister or to open any new credit. That privilege will last as long as the parliamentary system, of which, however, it may hasten the term; for failing war or other extra-parliamentary cause of revolution, the nation, with all its wealth, industry and thrift, must one day seek relief from the ever-swelling burden laid on an unexpanding population." [2a]

The Fiscal Year.

It was the intention of the French to pattern their machinery for budget consideration after the English model, but in actual practice the French system varies greatly from the English and violates nearly all the rules for proper budgetary control. The first difficulty with the French system is in the date for beginning the fiscal year. Since this corresponds with the calendar year and is the date upon which the representative houses usually convene, it has become customary to secure action on the budget of one year during the previous year. Consequently, the estimates which are submitted to the minister of finance each October contain requests for the next year but one, and it is impossible to make more than a rough estimate of the expenses so far in the future.

Preparation of Estimates.

The position which the minister of finance occupies with respect to these estimates is materially different from that of the

[2a] J. E. C. BODLEY, "*France*" Vol. II, p. 232–233.

English Chancellor of the Exchequer. The latter actually formulates the budget, based upon the information and data submitted by the departments. In case the sum total of the estimated departmental expenses does not balance with the estimated revenues of the government, it is his province to so reduce the departmental estimates that the revenues and expenditures of the government as a whole may be correlated.

The position of the French minister, on the contrary, is more analogous to that of the secretary of the treasury in the United States. With respect to the power of his official position, he occupies a place between these positions. The French minister of finance does not have such a leadership in the department as is seen in other countries and most notably in England. But his superiority over his colleagues consists in the fact that his office centralizes the expenditures, alone prepares estimates of incomes and has charge of submitting the explanation of the budget projects to the chambers. [2b] The minister of finance cannot refuse figures submitted by other departments, but as it is his duty to harmonize the budget, he must go over the estimates with them and try to effect a general balance.

The Budget Before the Legislature.

The budget is submitted to the Chamber of Deputies and contains the financial statement of the minister of finance, which is a general exposition of motives and an outline of his general fiscal scheme. This is followed by a bill fixing the budget and by a number of tables or schedules determining the authorization for the various departments.

For the consideration of legislative projects, the Chamber of Deputies and the Senate have committees. In the lower house the budget commission consists of forty-four members elected by proportional representation for four years and in the Senate there is a finance committee of eighteen elected for one year. This commission sits in secret meetings and prepares the fiscal program for the succeeding year. It organizes by electing one president, two vice presidents, four secretaries, a reporter-general and reporters for the various sections of the budget. It is usual for the president to be an ex-minister and not infre-

[2b] STOURM, *Le Budget*, p. 63.

quently he is an ex-minister of finance. The budget estimate submitted by the minister of finance is little used as the basis of the deliberations of this committee, but it arrogates to itself the duty of formulating anew all projects of fiscal legislation. It is customary to summon the minister of finance to aid in constructing the budget, but his estimates are not taken as a prima facie budget of the government, as is done in England. The budget is divided into many sections, sometimes forty or more, and elaborate reports are submitted upon each.

Under the leadership of the reporter-general these various reports are assembled and by the next fall an entirely new budget program is presented, dealing not only with the fiscal matters themselves, but also with matters remotely pertaining to finance. To quote BODLEY with respect to this matter:

"Delay is not the only evil which results from the time wasted in the investigations of the commission. Its members, each considering that he has a mandate to reform the department on which he reports, conceive that they are competent to modify the organic laws of the country by means of the budget. For example, the reporter of the Ministry of Justice may deem that the judges of the Court of Appeals are too numerous, so he writes an elaborate treatise in support of his idea, calculated to rank him as a great judicial reformer. Supposing his fellow commissioners accept his conclusions and recommend the suppression of the judgeships, they will be abolished by the effect of a line in the finance Act, if the Chambers agree with that part of the report of the commission." [3]

The French budget is probably the longest submitted in any country in the world. The twelve ministers submit nearly eight hundred chapters, each of which calls for a discussion and a vote. Generally this discussion is short, and the vote follows immediately, but the formality must be gone through with. [4]

This difficulty is aggravated by the fact that the French vote all credits for but one year. The necessity for the departments considering in great detail the budget of the committee, makes this parliamentary proceeding very long and requires a detailed examination into minor phases of the budget with the consequent result that too little attention is given the new features, which should receive the greater attention. French critics have

[3] J. E. C. BODLEY, *France*, Vol. II, p. 230
[4] STOURM, *op. cit.* p. 266.

admired the British system of placing certain charges by statute on the consolidated fund and not requiring an annual grant. It has been pointed out that it is within the province of the budget commission to remodel completely the military establishment of France by suppressing the pay and maintenance of the troops.[5] It will be remembered that the German army is supported by grants running for seven year periods.[6-7]

When the committee has reached a conclusion with respect to the budget, it is printed and laid before the Chamber where it is discussed as a whole and part by part, each item being voted separately. Votes are made in groups called chapters and a certain latitude is given each department with respect to each chapter, thus saving the time of parliament by eliminating these details. Some appropriations are definitely fixed, while others are approximate, inasmuch as the amounts cannot be definitely

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[5] BODLEY, *op. cit.* Vol. 2 p. 230.

[6] See page 132.

[7] This position is fully appreciated by the eminent authority on finance, LEROY-BEAULIEU, who says with respect to the French system:

"In strengthening the control of the Houses over expenditures, we shall see that the executive power must also be strengthened in its natural functions by establishing by constitutional law that all expenditures relating to the public debt service, the military service, the judiciary, and in general all services which are established by fundamental law, may not be reduced except by agreement of both houses. A continental country like France, surrounded by dangers, may not risk this kind of vital service on a single election. In a democratic country where there is universal suffrage, and where public opinion is unusually changeable, it might happen that a majority might temporarily compromise seriously the fate of the country, by imprudently suppressing credits necessary for the progress of national strength. That is to say, constitutional restrictions are powerful curbs when public interests are in danger. * * * It is evident, besides, that if the House of Deputies has absolute power to reduce or stop credits of its own will, the upper House will become almost useless unless it is constituted a guardian of the services which are necessary to the independence and strength of the nation.

Now, then, the only means of attaining this result is to limit by constitutional law the absolute power of the lower House in matters which relate to vital services. The example of England in connection with the public debt, the civil list, pensions, salaries of statesmen, and high courts of justice, justifies this statement."

Translated from "*Science des Finances*", p. 88.

determined. These are called credit values or service votes. The definite appropriations cannot be increased except by another appropriation, but the executive is given certain rights to increase the others—limited, however, to such purposes as are outlined by Parliament,—to those given by the president of the republic and approved by the council of grants and the council of state by a decree outlining the resources to be used to pay the expense. This decree may be given when the Chambers are not in session and must be authorized by Parliament within five days after convening.

It will be remembered that an essential feature of the English plan lies in the prohibition upon individual members to propose increased grants. This is not a feature of the French system and individual members may make any motion they think advisable with respect to increases, just as is done in Congress or in the American state legislatures. It has been proposed to modify the rules of the chambers so that no motion to increase a credit or alter a charge be admitted except by the suggestion of the government. The committee on rules has decided, however, that such a change would be unconstitutional. To quote BODLEY again with respect to this feature of the British plan:

"The suppression of parliamentary initiative in the opening of fresh credits would, it is argued, be a limitation of the rights of the sovereignty of the people;[9] but meanwhile that specious theory is leading the public finances of France to a condition which would bring a less rich country and a less industrious nation to bankruptcy. Millions of the national wealth are thus squandered by each Parliament on the creation of superfluous posts in a land already overburdened with functionaries, and on public works designed only to advance the local popularity of their promoters. The majority offers no opposition, as deputies vote with reciprocal comity for one another's prodigalities. The Government makes little effort to restrain them, as ministerial responsibility before the electorate for extravagance is unknown in

[9] In 1893 M. W. H. Waddington, soon after his resignation of the embassy in London, proposed in the Senate a motion reserving to the government of the day all initiative in public expenditure. His proposal was treated with disdain by all politicians outside of the dwindling group of the Left Centre. The radical Justice said that if members of Parliament were deprived of their right to propose argumentations of public expenditure, "one might as well vote for the budget for five or for seven years in advance; for to give the right exclusively to ministers would be the revival of absolute power, the resuscitation of the old regime.—August 28, 1893.

a Parliament where the party system has no place, and where half a dozen cabinets succeed one another between two general elections. The Senate indeed, annually emits an academic groan over these practices, but rarely risks its calm by using its power of veto."[10]

The constitution of France provides that money bills must be introduced and passed by the Chamber of Deputies before being referred to the Senate. Whether or not the Senate has the right to increase taxes or appropriations is in question. It is conceded that they have the power to reduce them. In the Senate the procedure is similar to that in the Chamber of Deputies, except that the committee in charge of the budget is composed of but eighteen members.

Revenues.

Inasmuch as the appropriations of the government are unknown until after they have been passed by the House, the revenue bills cannot be considered until the expenditures are determined. In addition to making all authorizations run but for one year, the French limit the granting of taxes and revenue for the support of government to an annual period, laboring under the same misapprehension that influenced many of the American statesmen when they formulated the constitution in the belief that money grants could be made but for a short period without jeopardizing the control of the people over the finances.

The major part of the revenue of the government comes from indirect taxes, registration fees, stamps, customs and indirect contributions. A large part consists of incomes from various monopolies although some are direct contributions. Nearly one-third of the annual expenditure is applied to the public debt.

Since the budget estimates must be prepared so long before they are actually granted, it is usually necessary to supplement them before they are actually voted, even so it is unusual to secure the budget vote before funds are required and it is practically necessary to vote grants on accounts pending the official authorization of the budget.

[10] BODLEY, *op. cit.* Vol. II, pp. 231–232.

Supplementary Budget.

Additional budgets are necessary for purposes which do not appear in the departmental budgets and extraordinary budgets are voted for extraordinary purposes which arise during a year for which the appropriations have been granted.

The Audit.

The president has no vetoing power, but may recommend the reconsideration of measures. It is the committee of accounts whose duty it is to sit as an auditing board and a tribunal to see that each expenditure has been made in accordance with legal authorization. Although it is possible for a department to transfer items from one purpose to another, it is not proper to transfer payment between departments. This court of accounts is similar to the auditing board found in practically all countries and is an essential feature of every sound fiscal plan.

CHAPTER VII

THE SWISS BUDGET[1]

Switzerland is a federation consisting of twenty-two cantons. Its population is but 3,741,971 [2] and its area comprises but 15,976 square miles, approximately the size of Wisconsin south of Oshkosh. The cantons vary in size from 2,773 square miles, the area of Graubunden, to 92 square miles, the size of Zug. The most populous canton is Berne with 642,744 [2] inhabitants and the smallest Zug with but 28,013. [2] Each of these twenty-two cantons sends two members of the Council of States (Ständerath), the upper branch of the Swiss legislature. The Swiss legislature is not unlike our American Congress, in that it is composed of two houses, the lower being popularly elected and the upper consisting of cantonal representatives. But in many ways the upper chamber is more analogous to the German Bundesrat, since the manner in which the members are selected, their length of service, their remuneration and general qualifications are determined by each canton.

The National Council (Nationalrath) consists of representatives chosen by direct election. One delegate is chosen for every twenty thousand persons and at present there are one hundred and eighty-nine members of the lower house. These members are paid from the federal treasury and hold office for three years, so this body is entirely renewed at each general election.[3]

[1] This account of Swiss government and budgetary procedure is based chiefly on a report submitted to the department of state by the American minister at Berne, Mr. BOUTELL, and is based upon answers received from the Swiss federal department of finance.

[2] Census of 1910.

[3] Constitution, arts. 72, 73.

These houses together form the Federal Assembly (Bundesversammlung).[4]

Executive and administrative authority is vested in an Administrative Board—a Federal Council of seven members selected by the Federal Assembly for terms of three years. Not more than one member may be selected from the same canton and a new council is chosen after each general election. The chief officer of the council is the president, chosen by the Assembly for one year. His position is that of chairman of the Council rather than the chief executive of Switzerland. A retiring president may not be selected to succeed himself, but it is customary for the one selected as vice president to be advanced the succeeding year to the presidency. The members of the Council act as ministers or chiefs of the administrative departments of the government, namely the departments of *(a)* Foreign Affairs; (*b*) Interior; (*c*) Justice and Police; (*d*) Military; *(e)* Finance and Customs; *(f)* Agriculture and Industry; and *(g)* Posts and Railways. Any Swiss citizen, eligible to the National Council, may be selected as federal councilman, but in practice the choice is usually confined to the members of the Federal Assembly and the larger states have come to claim a right to representation in the administrative body. Members are usually reelected from time to time and the body is a fairly continuous one. It is rare, indeed, for a representative running for reelection to be defeated.

The election of a federal assemblyman to membership upon the Federal Council, vacates his seat in the legislative body, but a federal councilman has no small measure of legislative functions. He may attend sessions of either house; may speak, but not vote, in both houses, and may make motions on the subject under consideration. The Council must introduce bills or resolutions in the Federal Assembly and give its opinions upon proposals submitted by the house or by the cantons. It must administer the finances of the government, introduce the budget, and submit accounts of receipts and expenses.[5]

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[4] Constitution, arts. 92 and 85.

[5] Constitutional arts. 101, 102.

The Budget.

Among the duties ascribed to the Federal Council by the constitution is the administration of finance and the introduction of the budget. The items of expenditure which are to compose the budget are prepared by the various departments and submitted to the bureau of finance under the department of finance. Here they are examined and printed in the form of a book of estimates and in the early part of October examined by the Federal Council. When this body has satisfied itself with respect to the estimates, they are submitted to the Federal Assembly with an estimate of anticipated revenues and such explanation respecting the various items as is necessary. Not only are members provided with all budget messages relating to requests for regular and supplementary credits, but with sufficient state and departmental records to give them rather complete information respecting these accounts. From time to time extraordinary reports are made respecting the public finances.

The Swiss fiscal year ends with the calendar year and in order that there may be time for the consideration of these fiscal measures before the year closes, the federal law requires the Council to submit the book of estimates to the finance committee of the Federal Assembly at least a month before the December session, which opens the first Monday of the month. The Council may submit the estimates to either branch of the Federal Assembly. After the first house has considered it, it is referred to the other house. The budget must receive the approval of both chambers before it becomes law. In examining the estimates the usual practice is to consider the supplies for each department separately. Both in committee and in the house it is competent for the members to pick out separate items for criticism or for a separate vote.

The English custom of distinguishing between continuing and annual appropriations is unknown in Switzerland. Since both the constitution and the statute law are silent with respect to the rights of the Federal Assembly to amend bills, it is to be assumed that the right is without limit.

"Theoretically, the Federal Assembly is entitled to make all changes in the budget which it may deem fit, practically, however, such right becomes a matter of form only. The right to grant credits is, as in

all other countries, limited by conditions for a number of items based upon constitutional disposition, laws, or treaty stipulations, which were entered into with the consent of the Council chamber. Also in case of a political conflict with the Federal Council (the administrative board) the Federal Assembly cannot forthwith cancel the expenditures for amortization by the laws governing salaries, etc., and thereby stop the state machinery. As yet there has been no difference of any importance between the legislative and executive bodies." [6]

What the procedure would be were the fiscal year to open before the budget was approved, cannot be foretold. The federal law scarcely contemplates such a contingency, but as we have stated, requires the estimates to be presented to the finance committee of the Federal Assembly a full month before the December session and consequently nearly two months before the close of the fiscal year. But twice in the history of modern Switzerland has the new year opened before the appropriations were made. These occasions were during the deliberations upon the federal constitution, which occurred in 1872 and 1874. Then the Federal Assembly authorized the Council to proceed upon the basis of the previous budget estimate.

But the book of estimates does not fully cover the appropriations. Additional sums are made available through deficiency appropriations and supplementary credits. The former cover urgent cases which the Federal Council may authorize a department to meet and for this the approval of the Federal Assembly must be secured at its next session. Departments wishing supplementary credits file their requests with the department of finance which groups all such claims in the form of a message to be submitted to the Federal Council and from them sent to the Federal Assembly. One series of supplementary credits is usually presented at the second session of the Assembly which convenes the first Monday in June. A second series is generally submitted toward the end of the fiscal year. Extraordinary expenditures covering such subjects as the appropriations for new buildings or other unusual charges may be provided in the acts which authorize the service. Sometimes they are provided for in the budget or in supplementary credits or are prorated among subsequent budgets.

[6] Quoted from report of the American minister at Berne on Swiss budgetary procedure.

The Audit.

A body of considerable importance in the Swiss financial arrangement is the joint committee of finance. Each chamber elects its own committee on finance, no one being continued in membership for a period longer than six years. Chairmen are chosen by the committees themselves. A special joint committee of three members is selected by the two finance committees and upon this body devolves the examination and supervision of the fiscal affairs of the republic. They meet quarterly and as much oftener as is thought necessary to examine the accounts of the various departments and administrative divisions. Permanent committees of both chambers examine the estimates and accounts relating to the federal railways and the alcohol administration. Printed reports of this business are presented quarterly.

Swiss Revenues.

The administration of Swiss finance is strongly influenced by the inelasticity of the federal revenues. These are fixed by the constitution and consist of customs, duties, the interest from federal property, the powder monopoly, military taxes (one-half) and receipts from the post office, telegraph and telephone monopoly. Increases in federal revenues may be made only by constitutional amendment which requires a referendum vote. The well-known frugality of the Swiss discourages such an attempt. The budget is prepared in Switzerland rather from the standpoint of revenues than of expenditures, the problem being one of using a fixed income to the best advantage rather than of determining first the needs of the state and later the ways and means of securing necessary funds.

Nature of Swiss Government.

From this review of the Swiss fiscal government it will be observed that the organization of the republic for federal financial matters has more analogies to an American city than to our federal or state governments. Its executive functions are in the hands of a board which has been frequently compared in respect to its duties, with the city commissions, now becoming so prevalent in the United States. The Federal Assembly takes no

long recesses, a regular session being held in December and another in June. Special sessions may be called as needed. The action taken at these times with reference to fiscal affairs is not unlike that of our city councils which, though bound to a considerable extent by their annual budgets, may nevertheless transfer credits from one account to another or supply deficiences as they arise. Quite a different problem is presented from that which confronts our state legislatures which must provide for the ensuing biennial period with no opportunity at all for subsequent revision or amendment. The annual expenditures for the Swiss federal government are about $32,000,000.

CHAPTER VIII

THE BELGIAN BUDGET.[1]

The legislative power in the kingdom of Belgium is exercised collectively by the king, the House of Representatives and the Senate.[2] The House of Representatives is chosen by direct election and is limited to one representative for 40,000 inhabitants.[3] At present there are one hundred eighty-six members. In choosing members for this body, each elector has one, two or three votes, determined upon certain property, educational and other qualifications specified in the constitution.[4] Each member is elected for a term of four years, one-half of the members being chosen every two years. In case of a dissolution, the House must be entirely renewed.[5]

The Senate is chosen for eight years, partly by direct and partly by indirect election. The number of those elected directly equals one-half the number of members of the lower house; the others are chosen by the provincial councils roughly in proportion to the population.[6] Every four years one-half of the members of the Senate are selected, but in case of a dissolution of the houses, both bodies are entirely renewed.[7] There are at present one hundred and twenty senators. The houses

[1] This account is based chiefly on material submitted to the Department of State by MINISTER LARZ ANDERSON of the American legation at Brussels. Most of the information was submitted at his request by the Belgian Minister of Foreign Affairs.

[2] Const. art. 26.

[3] Const. art. 49.

[4] Const. art. 47.

[5] Const. art. 51.

[6] Const. art. 53, 54.

[7] Const. art. 55.

meet each year in November and must remain in session at least forty days. The king may convene the chamber on extraordinary occasions, and it is he who pronounces the closing of each session.[8] The king may dissolve the houses either simultaneously or separately or may adjourn them once during each session for a period not longer than one month. In case of dissolution, new elections must be held within forty days and the new houses must meet within two months.[9] The sessions of the houses are public.[10]

The constitutional powers of the king are hereditary and the royal succession is in the direct male line in the order of primogeniture. Every act of the king, to be effective, must be countersigned by one of his ministers who thus assumes responsibility for it.[11] There are ten executive departments and the appointment and dismissal of the ministers is a prerogative of the king.[12]. Ministers may attend the meetings of either house and have a right to be heard. They have no vote, however, unless they are members of the house in question. The houses may demand the presence of the ministers and may question them with respect to their conduct of public affairs.[13]

The Budget.

Ordinarily, any of the three departments of the legislature may originate bills, but measures relating to revenues and expenditures of the state must be first voted by the House of Representatives.[14] Departmental estimates are first prepared by the respective departments and then sent to the minister of finance where they are centralized and prepared for submission.

In addition to his departmental budget, the minister of finance draws up the budget of ways and means, which includes the whole of the receipts of the endowments, of the nonvalues and reimbursements, and of the special receipts and ex-

[8] Const. art. 70.
[9] Const. arts. 71, 72.
[10] Const. art. 33.
[11] Const. art. 64.
[12] Const. art. 65.
[13] Const. art. 88.
[14] Const. art. 27.

penditures. Each of the departmental and special budgets is prepared by the minister of finance and is voted in a separate law. There are sixteen budget projects and the department of finance causes these to be printed and distributed to the members by the last of October, two months before the beginning of the fiscal year, which opens with the calendar year. It is the design of the Belgium law that the various budgets be voted and promulgated before the fiscal year, but the shortness of the time elapsing between this time and the opening of parliament, which occurs the second Tuesday of November, practically precludes such a course and only the budget of ways and means and the budget of endowments are usually promulgated so soon. The other budgets follow later in their course through the House and Senate and it is usually several months after the opening of the fiscal year before they become law. To supply the respective services in the meantime, the legislature appropriates provisional twelfth parts. Although it is the regular course for the proposed expenditure to be suggested by the ministry, it is the constitutional right[15] of individual members as well to initiate the projects of law relating to finance measures.

Budget in the Legislature.

The method of considering finance measures in the Belgian lower house does not differ materially from that employed with respect to other bills. Every month the chamber divides itself by lot into six sections. Each section organizes and elects a president, vice president and secretary, and the budget project is examined. After the sentiment of the section is ascertained in this way, a reporter is selected to express the views of that section. The six reporters unite under the president of the chamber or one of the vice chairman and form a central section. The views of the various sections are here canvassed, a member chosen to present their conclusions, and the report printed and distributed.

Before the budget is presented to the House, it is divided into heads in accordance with the services of the various departments and submitted to different committees for examination. A sum-

[15] Const. art. 27.

mary recapitulation of all receipts and expenditures is printed in documentary form and placed on the desks of the members. When the sections come to consider the project, amendments of various kinds may be proposed or they may vote to reject portions. Their sentiments are noted by the respective reporters, the central section considers them and consults with the respective ministers concerning the proposed changes. The bills are debated and voted article by article and there is then a vote on the whole. The debate upon the budget in the House then ensues, the various projects being taken up item by item in their order. These debates are frequently protracted and the House may increase or decrease the proposed expenditures.

When voted in the lower chamber, the budget bills are submitted to the Senate for approval. Here a similar course is pursued except that this body is organized with permanent committees equal in number to the ministerial departments. Each of these committees names a president, vice president and reporter to express their views to the house. The Senate may amend or reject the House proposals, but may suggest no new expenditures.

Although there are numerous budget bills presented for consideration, these are grouped under two principal heads—the general budget and the special budget. The former includes the current expenditures and the latter new projects or those which are not annual or periodical, for example, provisions for new constructions, fortifications or railways. These are usually financed by loans and new bond issues while the general budget is provided for by taxes, tolls and the other ordinary revenues. Borrowing is resorted to for the general budget only to supply temporary insufficiencies of receipts. Surpluses in receipts or special incomes such as those from the sale of land are at times available for the special budget.

Continuing Appropriations.

Appropriations are customarily made for but one year, but the settlement of some expenditures is occasionally prolonged until the following year. When the year closes with obligations assumed for which funds have not been secured, the part of the appropriation still necessary is provided the succeeding year.

No provision is made in Belgian finance law for meeting necessary deficits occurring when the legislature is not in session.

In such cases, recourse is had to treasury bonds. Insufficient credits are covered by supplementary allowances or by the transfer of disposable sums from other credits of the same budget. A law is necessary to appropriate supplementary credits or to authorize transfers. There are some unlimited credits which are confined to a class of urgent expenses. Were the necessary funds for the support of existing institutions omitted from the budget, these would be continued under ministerial responsibility and extraordinary credits be asked of the next legislature. Some expenditures for special purposes are made for periods, usually for three or five years, determined by the law making the appropriation. At the end of each year, these appropriations are reported and the deductions verified. At the end of the last year the remaining credits are annulled, even though the work should not be completed. Legislative action is required to secure further funds from the treasury.

There is in addition to the general budget and the special budget, a special annual budget termed the budget of receipts and expenditures *by order,* which embraces certain expenditures of the nature of trust fund disbursements. It embraces funds of third persons deposited with the state, such as *(a)* consignments, securities, pension bureau and savings funds; *(b)* revenue of the state devoted to a special purpose such as the support of certain public institutions, charitable establishments, schools and so forth and *(c)* produce of the sale of old material where the law allows these amounts to be devoted to the service from which they proceed. The main object of this annual grant is to secure a periodic review and check on these receipts and expenditures.

CHAPTER IX

BUDGETARY PROCEDURE IN CANADA[1]

The constitution of the dominion of Canada is embodied in the British North America Act of 1867, which is a law of the British Parliament drafted in Canada and accepted by the mother country without alteration. Provision is made for a central government and a government for each of the provinces, the division of power between the local and federal government being specified. While in the United States our constitution grants certain powers to the central government and reserves others to the respective states, the British North America Act specifies certain powers which are granted to the provinces and the reserved powers are left with the dominion government. In the organization of the dominion government, the British type was closely followed. The executive authority is vested in the sovereign of Great Britain and Ireland who is represented in the dominion by a governor general and privy council. The legislative power is vested in two houses, the Senate and the House of Commons. The Senate members are nominated for life by summons of the governor general. There are at present eighty-seven senators, twenty-four from Ontario, twenty-four from Quebec, ten each from Nova Scotia and New Brunswick, four each from Manitoba, Prince Edward Island, Alberta, Saskatchewan and three from British Columbia. Each senator must be a citizen, thirty years of age and must own property to the

[1] This account is based largely upon material contained in WILSON, *"The State"*, secs. 1016–1023; JAS. G. BOURINOT, *Federal Government in Canada;* and *The Statesman's Year Book* and in the report submitted to the Department of State by JOHN G. FOSTER, Consul General of Canada.

value of $4000.00 within the province from which he is appointed.

The House of Commons is popularly elected for terms of five years or until dissolved. Representation is distributed among the provinces in accordance with the population and there are at present two hundred twenty-one members. The privy council or cabinet is composed of fifteen heads of departments and they are selected, after the manner of the British cabinet, of the political faith of the majority in the popular house. It is the ruling body of the dominion. The governor general is appointed by the king, but executive power and responsibility are vested in the council. The relative positions of the governor general and the council are practically the same as that of the king and cabinet of England. Inasmuch as the upper house is chosen by the governor general upon advice of the dominion ministers, and since the dominion ministers are directly responsible to the lower house, the lower chamber, which is popularly elected, is the dominant factor in the Canadian government, just as the House of Commons predominates in the British government.

Preparation of Budget

It is the duty of the minister of finance to prepare the budget and submit it to the Commons. This official is the ranking member of the council. In the fall, circular letters are sent to the various ministers and estimates are requested of their needs for the following fiscal year. These are returned to the minister of finance precisely as the budget estimates in England are sent to the Chancellor of the Exchequer. The minister compares these estimates with the revenue to be derived from all sources and if it is necessary to reduce the grants from the amounts requested by the various departments, these matters are taken up with the departments and a balance is effected.

The proposed budget when formulated by the minister of finance is reported to the cabinet, where it is carefully reviewed item by item. Just as in the British government the budget is presented to the House of Commons by the minister of finance, so in the Canadian House of Commons the budget is submitted by the minister of finance upon a motion that the house go into a committee of supply to consider governmental grants. In the

committee of supply the proposed expenditures of the government are outlined and taken up for consideration in a committee of the whole.

Vote on Budget

All projects for appropriating money or imposing taxes must originate in the House of Commons and upon recommendation to the house by message of the governor general. This makes the government responsible for all financial legislation and carries out the principle upon which British government is based, of centralizing responsibility and power. As in England the right of individual members is limited to that of moving reductions, so in Canada it is the recognized function of the individual members to criticise rather than to control money grants. A member may move to reduce items, but he may not suggest their increase.

Permanent Appropriations

The greater part of the funds required for expenditures are voted annually, but about three-eights of the appropriations are made by virtue of permanent statutes in order that these may not be modified by annual political discussion. Among these services are included the cost of the collection of the revenue, the cost of the debt, the salaries of the governor general and the judges, and the exchequer accounts. The other appropriations are voted annually in the committee of the whole house on supply. But this important distinction must be borne in mind between the Canadian and the American systems of appropriations: the Canadian grants or appropriations, even those which are to be voted yearly, must be formulated by the ministry. The ministry is responsible for the budget which they propose, and the ministry represents the dominant faction in the lower house. Consequently, there is definite lodgment of power and responsibility for the continuance of all governmental services. The situation which is presented in this country whereby through failure of an annual appropriation the support of institutions or services are cut off and responsibility for this failure can be placed only by rumor, is entirely absent from the Canadian system. Even if authorizations for expenditures are not made by

Parliament, the governor general might issue a special warrant for expenditures which were unforseen or which were urgent and immediately required for the public good.

After the supply bill has been passed upon by the House, it is referred to the Senate where it is considered as a whole and not in detail as was the case in the lower chamber. As a rule, the consideration which it receives here is purely formal.

Revenues

When a determination has been reached with respect to the votes on supply, the government makes known its position with respect to revenues, and the minister of finance presents his budget speech upon a motion that the House go into a committee on ways and means to consider revenues. Here the proposed fiscal plan of the government is considered and a bill is passed embodying the governmental plan for raising revenue. The chief sources of income in the dominion government are the customs, the excise, the sale of lands and the post office. It is usual to pass tariff charges separately and generally borrowings are considered independently.

The Audit

The last phase of the Canadian fiscal program is comprised in the auditor general's report, which accounts for the previous fiscal year's expenditures and is usually presented to Parliament before the estimates are submitted. Parliament usually examines the audits with some care before making provision for future expenditures.

It will be noted that the Canadian practice follows very closely that of England and apparently affords as great satisfaction. One difference is to be noted in that the position of the minister of finance with respect to his colleagues is not one of dominance, such as we find it in England, because his control over the fiscal affairs of the other departments is not so complete. In general, however, the practice in the British prototype has been closely followed. [2]

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[2] G. M. WRONG, proceedings American Political Science Asso., 1911, p. 180. *Relation of the Legislature to the Executive Power in Canada.*

BUDGET PROCEDURE IN THE PROVINCES

With respect to the government in the nine provinces of Canada there is little to be particularly noted. Most of the provincial governments have unicameral rather than bicameral legislatures but the provinces of Quebec and Nova Scotia have each two chambers organized in a similar manner to that of the dominion government. Each province has a ministry responsible to the popularly elected house. The legislative councils usually number about thirty members, although Quebec has seventy-four and Ontario one hundred and six. Administrative authority is centralized in a lieutenant governor appointed by the governor general as the head of the executive.

The budget and the bills for raising revenue are prepared and introduced into the lower house by the minister of finance and considered practically as is the case in the dominion. Considerable variations are found with respect to the effectiveness of the manner in which financial matters are presented in the various provinces, but the general plan of operation is practically uniform.

CHAPTER X.

BUDGET PROCEDURE IN CONGRESS.

The organization of our American federal government follows entirely different lines from the governmental organizations of Europe. The latter are constructed upon the principle of centralized authority. This may be the authority of Parliament as we see it in England where the administration of the affairs of the kingdom is entrusted to those in control of the legislative branch and accountable to the people for the proper conduct of public affairs. It may be the authority of an administrative organization as we see it in Germany where the conduct of the imperial household is in the hands of well trained officials, and although there is here a popular control which may exercise a directive influence there is no power in irresponsible hands to block or unduly restrain the administration in its exercise of the functions of government. The dominant note of the German governmental organization is efficiency. Directness, clear-cut policies and effectiveness characterize the imperial plan. The American government was instituted in a period when men's minds were intent upon devising a governmental plan insured against autocracy. To effectively preclude such a peril a system of checks and balances was instituted to curb the growth of despotic tendencies. The functions of government were divided into three main classes, and executive, legislative and judicial departments were created. The natural result of this division of power was a similar division of responsibility. These departments not only possess too little power to constitute a real menace to civil liberty, but there is scarcely enough strength in them for the proper performance of even the most elementary functions of government.

The English type of government combines, in a remarkable degree, democracy and efficiency. Not only is there present at all

times popular control over all governmental activities, but those in power are, during their administration, possessed with sufficient authority for the proper conduct of public affairs. The cabinet, composed of the leaders of the dominant party in Parliament, has direct charge, under the prime minister, of the various administrative departments. The ministers are directly responsible for the conduct of the affairs of their departments and in case there is lack of confidence in their capability, they may be removed in favor of those who in a greater degree hold the confidence of the people. The crown is irresponsible. All grievances must be lodged against the ministry.

The plan of the American cabinet follows a different design. Here executive responsibility is centered in the president—the only officer, except the vice president, who is elected by the entire people. No provisions are found in the federal constitution directing the establishment of a ministry. That such a body was contemplated is evidenced by the authority given the president to "require the opinion in writing of the principal officer in each of the executive departments upon any subject relating to the duties of their respective offices"[1] and in the power given congress to "vest the appointment of * * * inferior officers * * in the heads of departments."[2] The nine cabinet positions are created by Congress and the incumbents are nominated by the president and confirmed by the Senate, usually without opposition. The desirable arrangement of having those upon whom the duty of administering the laws devolves, take charge of their construction and passage through Congress is unattainable under our law. The plan of the father was distinctly a congressional rather than a parliamentary government and the constitution expressly prohibits the naming of the cabinet from the membership of either house of Congress.[3]

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[1] Const. art. II, sec. 2. (1)

[2] Const., art II, sec. 2. (2)

[3] Article I, sec. 6, of the Constitution reads in part: "No senator or representative shall, during the time for which he was elected, be appointed to any civil office under the authority of the United States which shall have been created or the emoluments whereof shall have been increased during such time; and no person holding any office under the United States shall be a member of either house during his continuance in office."

Preparation of Estimates

In no place does the inadequacy of the federal plan of government become more manifest than in the field of public finance. Here, more than elsewhere, is it essential that efficiency in service and effectiveness in popular control be maintained. To secure this latter result was the prime intent of the fathers, their negligence respecting the former requisite has practically destroyed both. As is the case in other countries, the first step in the formation of the budget lies in the preparation of the departmental estimates. Each department is required by law to submit to the secretary of the treasury not later than October 15 estimates of needed appropriations for the ensuing year. The position of this department in compiling these accounts is however far different from that occupied by the treasury department of the English government or even by the secretary of the German imperial treasury. These have indeed the power of recommendation and especially in the English government may the secretary of the treasury reduce or reconstruct the departmental estimates before including them in his budget. But the submission of estimates to the House of Representatives is but a ministerial function. No revision is undertaken, they are simply compiled and submitted as they come from the departments. We have noted in speaking of the preparation of the budget in other countries how essential it has been to have adequate revision of the departmental requests. In their formation each department frequently works independently and their demands are based upon a consideration of their needs only, without knowledge of the legitimate requirements of other branches of the public service or the amount of revenue available for these purposes. The proper correlation of these requests is the first essential in sound public financiering and in this our national plan breaks down completely.

The Budget in Congress

But, bad as is our method of submitting requests for appropriations, the budgetary procedure in Congress itself is even less defensible. Deprived, as our congressmen are, of a well considered digest of the government's needs for the coming year in the estimate submitted it would seem the part of prudence for the legis-

lative branch itself to devise methods of performing for themselves the work which the separation of governmental powers and the jealousy existing between the executive and legislative departments precludes their receiving. One might expect to see a legislative organization of some sort which would give to a committee, possibly a joint committee, composed of the most influential members of Congress, the duty of digesting these requests, determining their relative merits and making the total of expenditures conform as closely as possible to the estimated income of the government. We look in vain for such a body. The estimates of the departments are collected by the treasury department and sent in a letter to the Speaker of the House of Representatives upon the opening day of Congress. At the same time there is submitted a statement of the proceeds of the sales of Government property and the expenditures of money appropriated for the contingent expenses of the independent treasury for the preceding fiscal year. Instead of submitting this statement to a single committee which might have power to revise in accordance with the relative needs of the services to be provided for and the funds available for that purpose, the Speaker distributes the estimates among ten separate committees.[4] Estimates for the raising of revenues are sent to the committee of ways and means.[5]

Thus in the consideration which the lower house gives the official estimates the work is divided among numerous independent

[4] To the committee on appropriation is sent the estimates of the needs of the legislative, executive and judicial expenses, for sundry civil expenses, expenses for fortifications and coast defenses, for the District of Columbia, for pensions and for all deficiencies; to the committee on rivers and harbors are sent estimates for the improvement of rivers and harbors; to the committee on agriculture the estimate and report of the agricultural department respecting agriculture and forestry; to the committee on foreign affairs, appropriations necessary for the conduct of the affairs of this nation with foreign nations; to the committee on military affairs, those relating to military establishments, the militia, the public defense and the Military Academy; to the committee on naval affairs, estimates for the support of the naval establishments; to the committee on post-office and post roads, estimates for the support of these services; to the committee on Indian appropriations, estimate for expenses incident to the relations of the United States with the Indian tribes; and to the committee on war claims, claims arising from any war in which the United States has been engaged.

[5] Rules of the House of Representatives, Rule XI, secs. 2, 3, 8, 10, 12, 13, 14, 16, 32. The committees here referred to consist of 21 members each, except that the committees on Indian affairs and war claims consist of 19 and 15 members respectively, (rule X.) The committees are elected by the House at the commencement of each Congress.

committees. This unfortunate situation has developed gradually with the attempt to lessen the work of the appropriation committee by relieving it of the consideration of certain parts of the appropriation. The plan of Hamilton for the consideration of finance measures was not essentially different from those in use in European countries. The report of the treasury department, which he contemplated, involved a complete project of legislation and a budget plan for the ensuing year. The jealousy of the legislative branch with respect to this duty, however, made the failure of this plan inevitable and before the first decade a rule was adopted which placed upon the committee of ways and means the duty of basing its report upon an examination of the needs of the departments themselves.[6]

A more objectionable development was the creation of the committee on appropriations which separated the consideration of the revenue measures from that of the bills for expenditures and thus made this most important correlation almost impossible. In 1814 an additional standing committee was created to care for the public expenditures and examine the economy with which prior appropriations had been expended. And an even more serious difficulty arose from the new division made in 1865, whereby the duties of reviewing expenditures and revenues were entirely separated. From the standpoint of sound public finance this step seems almost indefensible because in this way the last opportunity for a proper correlation of the expenses with the estimated revenue was lost. But a consideration of the plan upon which Congress had come to operate shows this as not an illogical, although an unfortunate, development of our fiscal methods. By the insistence on the almost complete divorce of the legislative and administrative departments it had come about that the duty of preparing the estimate for congressional consideration, which the administration was best able to perform, because of its greater familiarity with the needs of the services and the greater time at its disposal, had devolved almost entirely upon the committee of ways and means. The task thus imposed was almost Herculean for the members already burdened with the ordinary pressure of Congressional duties. Not only did the problems present themselves in an almost undigested fashion, but the subjects

[6] E. D. ADAMS, *The Control of the Purse in the U. S. Government.* Kansas, Univ. Quarterly, vol. II, No. 4, p. 218.

were themselves of an exceedingly perplexing character. Our income was secured by the uncertain means of a high tariff and by diverse sorts of almost untried internal revenue taxes. Our expenditures had assumed unheard of proportions. No wonder the public service suffered and ways were found of so arranging the work in committees that both receipts and disbursements might be more carefully scrutinized. The committee on appropriation was given charge of all disbursements and the older committee left with but the revenue measures for consideration. It was not intended that all harmony should be destroyed but it was believed the two committees would work in conjunction. The chief motive seems to have been to make possible a more adequate examination of the finances.[7] The course pursued was, however, entirely unfortunate.

The later decentralization of the appropriating power, while relatively of less consequence, had less justification. In 1883 the committee on rivers and harbors was given control of the expenditures of that service. Money here granted is for "internal improvement" and nominally for the aid of navigation. For years it has been the notorious "pork barrel" of Congress. Three years later a further division of committee work was affected and the sundry supply bills were referred to standing committees rather than to the appropriation committee. This grew out of the jealousy at that time existing between the speaker and chairman of the appropriation committee, and the desire of the former to lessen the tremendous influence this chairmanship had acquired. Thus it has come about that the consideration of appropriation bills is in the hands of many separate committees.[8]

The house committees work independently, in considering the appropriation bills entrusted to them. The estimates as submitted by the departments contain, of course, all the items it is thought proper to request. These estimates, as we have seen, are submitted directly to Congress and then to the committees, with no opportunity for an adjustment on any proper budgetary basis. In considering these requests it is the custom to call for explanations from the chiefs of the various departments and bureaus with respect to the items embraced in the estimates.

[7] E. D. ADAMS, *op. cit.* p. 219.

[8] Statement of JAMES A. TAWNEY in FORD, *The Cost of our National Government*, p. 129.

This practice is undoubtedly advantageous, but coupled with the separate committee system, the committees in question naturally become the champions of bills which have been entrusted to them and the general interest is entirely lost sight of. The committee on appropriations, however, has jurisdiction over five general appropriation bills and the deficiency appropriation bills, which are in turn referred to the seven sub-committees of that body. The bills are considered in these sub-committees and then reported to the full committee and eventually to the House. [9]

"All motions or propositions involving a tax or charge upon the people, all proceedings touching appropriations of money or property or requiring such appropriations to be made or authorizing payments out of appropriations already made, or releasing any liability to the United States for money or property, or referring any claim to the court of claims" are first considered in a committee of the whole.[10] "In the committee of the whole house * * * bills for raising revenue, general appropriation bills and bills for the improvement of rivers and harbors * * * have precedence." [11] Here the measures are considered paragraph by paragraph and amendments may be offered and considered. General appropriation bills are highly privileged and a motion to go into committee of the whole for their consideration is always in order.

The rights of members to suggest changes is limited in the English House of Commons and in the Canadian Assemblies, as we have seen, to motions to reduce items. This is not a feature of the American system. Members may make such suggestions as they see fit, the only limitation being that the appropriation bill may not be so amended as to include appropriation for services which have never been provided for by law. While the importance of this check is not to be overlooked, it is far too slight to effect the purpose for which the English rule operates. Federal appropriations are expended in many sections of the country in the construction and maintenance of federal posts, buildings and services, in the deepening of harbors and rivers, and for similar enterprises which are authorized by statute. It

[9] TAWNEY in FORD'S *op. cit.* p. 133.
[10] House rule XXIII, 3.
[11] House rule XXIII, 4.

is in respect to them that the members exert their influence, and their coöperative efforts to prevent the diminution of their share of the public funds effectively precludes any systematic saving upon the part of those interested in a more economical administration.

But the departmental estimates of which we have spoken do not embrace the full measure of the demands made on Congress. Additional requests are embraced in the supplemental estimates, later submitted by the Secretary of the Treasury; the judgments of the court of claims, the report of the engineers of the war department and authorizations of estimates made by enactments of the session.[12] The first of these covers requests from the heads of the departments which escaped attention when the original estimates were prepared. The recommendations of the board of engineers of the war department to the committee on rivers and harbors are usually made under the direction of Congress and consequently are not available at the time the regular estimates are submitted.[13] It will thus be seen that the appropriation bills themselves are very numerous, even if the special acts involving charges upon the public purse are not considered.[14] The reports of the various committees usually involve a decrease from the estimates submitted them, the bills are slightly increased in their passage through the House, but the most startling enlargements occur in the Senate.[15]

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[12] FORD *op. cit.* p. 19.

[13] TAWNEY in Ford *op. cit.* p. 131.

[14] There were for example in the 2nd session of the 62nd Congress (1911–12) fifteen appropriation bills. They were the: Urgent deficiency, District of Columbia, agriculture, army, pensions, diplomatic and consular, fortifications, Indian, post office, rivers and harbors, general deficiency, (small), legislative, etc., Military Academy, naval, sundry civil.

[15] This is illustrated by the history of the appropriation bills of the first session of the 60th Congress (1908–9). Every bill as reported from committee was under the amount of estimates submitted with exception of the report of the committee on agriculture; the total of the estimates was $842,754,993.84, and as reported to the House was $740,220,225.47. These were slightly increased during their passage in the House, so that the total of appropriations reached $743,907,820.07; the only decreases being in respect to the army, the District of Columbia (of $1.000) and legislative expenses. When reported to the Senate they had reached the figure of $804,298,384.70 and as passed by that body, $817,361,374.73. This does not include the deficiency, miscellaneous or permanent annual appropriation. (Cong. Records, May 30, 1908.)

Appropriation bills in the Senate

In the Senate, the committees of finance, appropriations and public expenditures comprise those in charge of appropriations. The general appropriation bills are all referred to the committee on appropriations except the bill making appropriations for rivers and harbors, which is referred to the committee on commerce; the agriculture bill to the committee on agriculture and forestry, the army and Military Academy bills to the committee on military appropriations, the Indian bill to the committee on Indian appropriations, the naval bill to the committee on naval appropriations, the pension bill to the committee on pensions, and the post office bill to the committee on post offices and public roads.[16] The chairmen of the committees on appropriations, finance, military affairs, naval appropriations, post offices and public roads, agriculture and forestry and Indian affairs are ex officio members of the committee on public expenditures and the chairman of the committee on appropriations is the acting chairman of this committee. This committee has never had any influence upon the appropriation bills and has, in fact, been practically dormant since its creation in 1910.

As in the House, so in the Senate, appropriation and finance measures are privileged.[16a] No amendments may be received which increase the appropriation except those to carry out existing laws, treaties, or resolutions of the Senate or in pursuance of an estimate of the head of a department or by direction of a standing or select committee.[17] These rules have not, however, had the desired effect of curtailing appropriations. Appropriations are always increased in the upper chamber and take their real shape there. Log-rolling reaches perhaps its highest perfection in the House, but in the Senate we find combinations no less reprehensible not only between members of that body but between senators and congressmen. "The overshadowing Senate" thus finds opportunity for controlling the purse through which alone many congressmen are able to appease eager constituents. In the conferences which follow discussions upon the amended appropriation bills, the decisions of the Senate are usually followed.

[16] Senate, rule XVI, sec. 1.
[16a] Senate rule IX.
[17] Senate rule XVI, sec. 2.

Attempt to secure a Correlation between Expenditures and Revenue

Throughout the entire course of finance legislation, from the time the estimates are first submitted to the secretary of the treasury until the appropriation bills are signed by the president, no opportunity is provided for a correlation of the expenditures with each other or with the amount of revenue at the disposal of the government. Budget procedure in Congress breaks down in the place of its most fundamental importance. Attempts have been made from time to time to remedy this defect and an advance of some promise was made by an amendment to the Sundry Civil Service Appropriation Act of 1909 [18] which requires the secretary of the treasury to estimate as nearly as possible the revenues of the government for the ensuing fiscal year. In case the estimated expenditures exceed the estimated revenues, he must submit a detailed statement to the president in order that the latter may advise Congress in what manner the estimated expenditures may be reduced to conform to the estimates of revenues with the least injury to the public service. In case a deficiency is inevitable, the president must advise how loans or new taxes may best be secured. The effect of the centralization of this responsibility upon the chief executive has caused him to take means of becoming better informed upon the budgetary affairs of the government. President Taft has organized a committee of his cabinet to examine the estimates before their presentation to the secretary of the treasury in order to bring the requests for expenditures within the estimated revenues. [19] This plan has promise of great good in the consideration of appropriation bills. But it is only a beginning, and before any adequate control is possible, some method must be devised for the centralized control of all financial measures in a single congressional committee and for the elimination of the promiscuous and irresponsible methods of amending financial bills upon the floors of Congress which now obtains. [20]

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[18] Approved March 4, 1909. The provision in question is in sec. 7.

[19] HON. JAS. A. TAWNEY, in FORD, *op cit.* p. 127.

[20] Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ending June 30, 1911, contained the following recommendations: P. 9. "I have referred to the matter in my previous annual reports, and feel as strongly as ever that some-

Permanent Appropriations

The fifteen odd appropriation bills which form the basis of Congressional grants do not comprise all the various services authorized. Separate acts provide new causes for the expenditure of public funds. As in many of the foreign countries, so with our federal government we find many of the appropriations based upon permanent statutes. Some ten per cent of the total expenses of the federal government are met by continuing appropriations. These embrace the salaries of the nonpolitical officers such as the judges of the supreme court, the salaries and expenses of certain officers whose duties are essential to the carrying on of the government such as the supervision of elections or the collection of customs, such recurring claims as cover receipts in taxes and drawbacks, payments to institutions under the patronage of the government such as the Smithsonian Institute; and interest on the public debt, sinking fund charges and the like. [21]

Besides the annual appropriations cared for each year in the regular appropriation bills and the permanent annual appropriations to which reference has just been made, there are a number of appropriations known as permanent specific appropriations. These form an ecxeption to the general rule that unexpended balances appearing upon the treasurer's books for two fiscal years are to be converted to the treasury. The reason for this custom lies in the fact that there are a number of services where close estimates cannot be made regarding the time necessary for

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thing should be done to organize the divided consideration now given the expenditures of the government and the interrelation of its income and outgo. The responsibilities relative to estimates, appropriations and revenues are extremely scattered and disintegrated. The vast sums that pass through the treasury coming and going are without any centralized study or recommendation such as other countries find it necessary to give to their government finances. We shall have to continue to divide this important work between the executive and the legislative departments of the government. There should, however, be found a way to organize the work done in the executive department and to organize the work done in the legislative department, and then to establish a responsible coöperation between the two. To map out a new system will require thorough study; and to arrange for this it would seem to be necessary for the Congress to appoint a commission representative of the executive and legislative departments of the government. And I hope Congress may be interested enough to appoint such a commission during its present session."

[21] H. C. ADAMS, *Finance*, p. 158.

their completion. Appropriations for harbors, rivers, lighthouses and fortifications may be fixed comparatively definitely with respect to the amount, but the time required for their construction may be only roughly estimated. The work once entered upon cannot be interrupted without damage to the operations already undertaken and, consequently, no time is fixed in the appropriation law within which the available funds are to lapse. [22]

Revenue

With respect to revenue, all receipts are provided for by permanent laws. These are chiefly composed of customs, duties, and internal revenues (consisting of the corporation tax, taxes on spirituous and malt liquors, tobacco, drugs). Another serious weakness thus appears in our federal financial system in that there is no elastic element in our revenues—they may not be increased or diminished to correspond with the fluctuations of governmental expenditures. We noted with respect to British finances that this capacity for expansion and retrenchment was an almost indispensible factor in their fiscal plan and that the adjustments of the income tax and the duties on tea allowed the government to maintain a fairly accurate balance. But the American system has no such virtue and it is consequently necessary to provide for a surplus in ordinary years in order that there may be sufficient funds provided for years of heavier expenditures. This practice is not at all conducive to economy, the piling up of a surplus invites its expenditure and too little attention is given the needs for services thus provided for. A certain elasticity has been provided at times because of our public debt and what funds were on hand above those required for the conduct of government were thus available for the reduction of this burden. But that this plan of surplus financing is generally unsatisfactory, will be readily recognized.

A greater difficulty arises, however, from the fact that our greatest source of revenue, the tariff, is adjusted not as a revenue measure primarily, but as a method for the protection of home industries. Being so dependent upon the adjustment of prices and trade conditions at home and abroad, it is impossible

[22] ADAMS, *op. cit.* 159.

to forecast with any accuracy what returns may be expected from the various schedules. The protective and revenue features of the tariff are antagonistic. Insofar as the duty fails to keep out foreign goods, the charge upon their entrance is a government revenue, but so far as the tariff affords true protection by keeping out foreign goods, and so reserving home markets for our own producers, the tax thus imposed upon the consumers falls not into the federal treasury at all, but into the coffers of the protected industry. The tariff is a most complicated piece of legislation and care must be exercised not only with respect to the rates, but to the schedules into which the various articles will fall. This is a task for which only a highly trained body of experts is fitted, yet we have made all our tariff legislation until now upon the same theory that has obtained hitherto with respect to other legislation—that it was a matter with which congressional committees could easily cope. Fortunately, steps have already been taken for the use of an expert tariff commission to advise further changes in this part of our fiscal legislation.

The difficulty which obtains with respect to appropriation bills, in that they are submitted to too many committees, is not true of revenue bills. These bills must all originate in the lower house[23] and are all cared for in the committee on ways and means. Thus there is a certain centralization with respect to these measures although no comparison can be made with respect to proposed expenditures. The Senate does not hesitate to exercise its prerogative of amending these measures and their final shaping takes place in the upper house. In the Senate these bills are in charge of the finance committee.

NECESSARY CHANGES.

Attention has frequently been drawn of late to the unbusinesslike methods prevailing in the conduct of our federal government.[24] That the administrative departments are so man-

[23] All bills for raising revenue shall originate in the House of Representatives, but the Senate may propose or concur with amendments as on other bills." Constitution of the United States, art. 1, section 7.

[24] Senator Aldrich's statements in 1909 and 1910 that $50,000,000 might have been saved the previous year without impairing the efficiency of our public service (Cong. Record, Apr. 10, 1909, p. —) and that a business man could run the government at an annual saving

aged as to permit of considerable waste, is almost universally conceded, but it is submitted that far-reaching and permanent results are only attainable through some method of budgetary control. How this may be attained under our federal system as it now operates is difficult to see, but the cost of our government has now reached such a figure that remedial steps must soon be taken. Whatever methods are adopted, provision must be made for (*a*) a central body which shall submit to Congress estimates of the expense of conducting governmental services for the ensuing fiscal year with power to so reduce any estimates to make them conform to anticipated revenue and the demands of other services: (*b*) a scientific estimate of revenues to be derived from existing statutes and those in contemplation; (*c*) control by a single joint committee of the two houses over all pending legislation, whether appropriation or revenue accounts; and (*d*) a limitation on the power of private members to propose increases in governmental accounts. How such a plan may be devised to provide the efficiency in central administration which is so essential, and at the same time provide means of popular control of fiscal legislation, is a problem for the not distant future.

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of $300,000,000 (Cong. Record, Feb. 21, 1910) have been frequently quoted and have had the effect of drawing attention to the waste in our national expenditures.

CHAPTER XI.

THE BUDGETS OF THE AMERICAN STATES

The governmental organization in the various states closely parallels that of the federal government. The legislatures are uniformly bicameral and there is a chief executive elected by the people, usually for a period of two or four years. As a rule, there is no cabinet, but the various state offices are manned by those elected as is the governor and usually for the same period. Some of the older states have had executive councils, elective or appointive, designed to perform the functions of a cabinet, but this practice has not been followed with the development and organization of the Western states and it has been practically abandoned even in the states where it previously existed. In the few states still continuing this policy these councils play no important part.

With the organization of the federal government, certain prescribed forms of revenue were given to this sovereignty for the payment of federal expenses. Of the revenue sources left to the states the general property tax has been the chief. In late years there has been a strong movement for the separation of state and local sources of taxation and consequently it has been usual to allocate the general property tax to the local governmental agencies, leaving to the state some of the newer forms of revenue which have been developed. The general business taxes, such as taxes on railroads, warehouses, transportation facilities, insurance companies and the like; inheritance taxes and in a few instances, the income tax or the poll tax have been made to yield revenue for the state government. In this respect the state governments have been far more fortunately situated than the federal government, since it is possible to deter-

mine with greater definiteness the income from these various sources of revenue and the revenue system has not become complicated with the questions of regulation and subsidizing business, as has the tariff, the chief source of our federal revenue.

In the earlier history of our state governments it was customary to provide taxes by laws passed at the periodic sessions of the legislatures and which prorated the assessments among the various counties in proportion to their taxable values. What these values are has come to be determined in almost every instance by a central authority or state tax commission, and it is necessary, of course, that the amount thus to be raised should equal the expenditures authorized by the legislature. Since it is, then, the expenditures rather than the tax law which actually determines the amounts to be raised, it has been seen that the real control of revenue lies through a control of the appropriation measures rather than through a control of the revenue bills themselves. The logical step has been followed in most of the states, therefore, of providing for taxes by permanent laws, and, when the appropriations are determined upon, of making it the duty of the tax commission or of some other central official body to assess taxes at such a figure that sufficient revenue will be raised for the appropriations determined upon. This is the course followed in the state of Wisconsin and one generally approved by authorities on state finance. In this state the general property tax is used as a balance. When sufficient funds are not provided through the various other sources which supply the state treasury, the general property tax is resorted to. In actual practice the general property tax forms but a minor source of state revenue in Wisconsin and is resorted to only to pay for such unusual expenses as are incurred in the construction of new buildings or for other exceptional demands. It is not infrequent even then to have the state levy remitted, since it is often seen that other sources of state revenue will supply sufficient funds.

In some of the older states, however, particularly in the south, the prior system obtains and at each session of the legislature a tax bill is prepared and passed authorizing the levying of taxes for the support of state government. Following the example of the federal government the constitutions frequently provide that revenue bills must originate in the lower house, although the Sen-

ate has the right of amendment. This provision is an entirely empty one so far as the safeguarding of individual rights is concerned, inasmuch as our upper houses are always elected by the people, although by larger districts than the lower houses, and are usually as responsive to the popular will. Besides it is not the revenue measure, but the appropriation measure, as we have seen, which actually controls the tax levy. When appropriations are granted a tax levy is necessary to meet these grants unless a deficit is to be incurred. Nevertheless considerable difficulty has been experienced in some of these states in securing through a revenue bill a tax levy sufficient to meet the appropriations granted. In Nevada in 1911, it was necessary to call a special session of the legislature to devise new systems of revenue or to repeal sums previously appropriated.

With the development of new states and the writing of the newer constitutions, revenue matters came to be provided for for more and more explicitly. One of the noticeable features of the new constitutions in this country has been their greater explicitness and the increased restrictions placed by them upon legislative authority. Older constitutions contained but general outlines of governmental organization; the modern constitutions embody numerous restrictions upon legislative and executive power and many features properly pertaining to statute law. Among the limitations most noticeable are those pertaining to state finance. Laboring under an ill-conceived idea of the organization of government and a clouded view of its historical development, many of the newer constitutions attempted to place restrictions upon the appropriations of money which would necessitate a periodic grant by the legislative body for all expenditures. Consequently it was frequently provided that appropriations should run but for a two year period. The difficulties which have attended this provision have already been discussed. It is sufficient to observe at this time that the theories which caused these limitations grew out of an entirely misconceived notion of the proper allocation of governmental responsibility and of the abuses which might come from the system of permanent expenditures.

Another limitation frequently embodied is the prohibition against the insertion in the general appropriation bills of grants for services for new and previously unauthorized pur-

poses. Many of the constitutions contemplate a general appropriation bill which shall include grants for the established state services and interest on the public debt alone and specify that other services must be supported by appropriations in separate bills each containing but one subject. It was the belief that this provision would prevent riders on the appropriation bill or log-rolling tendencies which had been observed to operate so unfortunately in Congress and in the older states.

In many states there has been an attempt to centralize responsibility in the office of the governor and to allow him to cut off appropriations inserted in bills through combinations or legislative cliques. This is done by allowing the governor to veto specific items in the appropriation bills. Nearly two-thirds of the states have this provision. In some of the states this veto can be overridden by a simple majority vote in the legislature, but it usually requires a two-thirds vote, and inasmuch as this power is usually exercised only after the close of the session or when adjournment is daily expected, the veto of the governor invariably stands as final. A number of unfortunate tendencies have grown up because of this power. As invariably happens under the system of checks and balances, the multiplication of checks lessens the value of each particular one, and knowing that the final action of each branch of the government is not conclusive, there is a tendency to pass all matters with less consideration, trusting subsequent checks to eradicate difficulties. But in the latter stages, the fact that the measure has already received consideration, operates to lessen the care with which these measures are scrutinized. Consequently there has been a tendency in the legislature, wherever the veto power of the governor has been operative, to pass appropriations rather in excess of the amount of revenue available, placing the responsibility upon the governor to veto a sufficient number of items to reduce the appropriations to a legitimate amount. This has been particularly influenced by the desire to curry favor with all factions in the legislature. Items have been introduced which will win favor in the legislature and the governor has been relied upon to eliminate them when the bill is presented for his signature.

Coupled with the system of biennial or annual appropriations, the power placed in the hands of the governor through

this agency is tremendous, and by controlling the appropriations the chief executive has been enabled to dominate in many instances the departmental policies. Many illustrations of the exercise of this power have been developed, but perhaps its chief menace lies in its potentiality rather than in its actual use.

A further limitation placed sometimes by constitutional provision, but more frequently by statute, has been one restricting the taxing power of the legislature and the various taxing bodies of the state to a certain maximum percentage of the property values. This has placed a restriction upon the revenues of the state which is entirely illogical and unfortunate. Economies in government cannot be determined upon any arbitrary rule. They are frequently advanced by expenditures and it is improper to predetermine any fixed limitation upon the tax revenues.

Owing to the development in the constitutional provisions to which we have referred, there have grown up three relatively distinct systems of appropriation in the various states. The so-called budget system, which is in fact not a budget method at all in the sense in which the term is properly used, but a system whereby all appropriations are renewed at each session of the legislature; the general appropriation bill system, where there is a general appropriation bill usually renewed at each session of the legislature and where other services are provided for in separate acts, some of them running for an indefinite period; and a third system whereby appropriation bills are considered practically as other projects of legislation, the terms upon which these grants are available and the periods for which they are to run being determined in the act itself. During the last few years considerable attention has been called towards the adoption of more scientific methods of budgetary control and the matter has received consideration by various state commissions appointed for this purpose. Some half a dozen states have made attempts to secure, before the convening of the legislature, estimates of needed appropriations from various state agencies and to have these digested and presented to the legislature for action when it convenes. It is to systems of this character that we must look for scientific solution of our problems. Work in this field has but started and there are no states which have made more than a very crude beginning in this work. The sys-

tem as it exists in each of the various states will now be taken up and discussed.

BUDGET PROCEDURE IN EACH OF THE STATES

Alabama.

The Legislature of the state of Alabama meets but once in four years. The constitution requires all appropriations with the exception of the grants carried in the general appropriation bill, to be provided for in separate bills, each embracing but one subject. The general appropriation bill provides for the ordinary expenses of the executive, legislative and judicial departments of the state, for interest on the public debt and for the public schools. No new services may be provided for in this measure. The salary of no officer or employe may be increased nor may any appropriation be made therein for any officer or employe unless his employment and the amount of his salary have already been provided for by law.[1] The general appropriation bill is prepared by the auditor of the state and referred to the appropriation committee of each house. A large part of the state appropriations are made pursuant to the permanent code and a specific repeal of these sections would be necessary to effect a discontinuance of these grants. Where there is a general law fixing the amount of salary and prescribing its payment in periods, it is not necessary that there be a special annual appropriation by act to authorize the comptroller to make payments from the treasury.[2] Among the permanent appropriations are found grants for the University of Alabama, the Alabama Polytechnic Institute and for the payment of the pensions to confederate soldiers of the state.[3] The University of Alabama receives by constitutional mandate a sum not less than $36,000 per annum. This sum is for maintenance and support of the institution and represents the interest on the funds of the university, which have been converted into the state treasury.[4] A two-thirds vote is necessary to make appropriations for any charitable or educational institution not under

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[1] Alabama constitution, 1901, art IV, sections 45, 71.
[2] *Reynolds v. Taylor*, 43 Ala. 420, 430. (1870.)
[3] For example of the form of these appropriations, see Laws of Ala. 1911, pp. 379, 389, and 545.
[4] Const. of Ala. 1901. Art. XIV.

the immediate control of the state, except normal schools established by law for the professional training of teachers for the public schools of the state.[5] The four oldest normal schools of the state are supported by permanent appropriations. Appropriations are made for specific years for the services included in the general appropriation bill and for the Alabama Home of Refuge and for the Industrial School.[6]

Contrary to the custom in the greater number of states, the revenues of the state government are provided for by temporary laws. This results in an unfortunate difficulty because of the reluctance of the legislature to provide sufficient revenue for the services which they have authorized. Following the federal example, the constitution of Alabama requires that all bills for raising revenue originate in the House of Representatives.[7] The governor, auditor and attorney-general are required to prepare a general revenue bill before each regular session of the Legislature and to submit this for the information of the Legislature. The secretary of state must publish a sufficient number of copies of this bill and the governor must transmit this estimate to the House of Representatives as soon as the House is organized.[8] This mandate is usually complied with in the first message of the governor. The measure thus submitted is for informational purposes only but it forms the basis of the revenue bill. Both houses may amend this bill as they see fit, but no revenue bill may be passed during the last five days of the session.[8]

The constitution provides for publicity respecting state accounts, by requiring the state treasurer and state auditor to make a full and complete report to the governor at such time each year as the legislature may fix, showing the receipts and disbursements of every character, and all claims audited and paid out, by items. They must also show all taxes and revenues paid into the treasury and the sources thereof. More frequent reports may be required by the governor or by the Legislature and each year a regular statement of all public moneys must be published.[9] At the close of his term of office, the governor

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[5] Const. of Ala. 1901. Art. IV, Section 73.
[6] Laws of Ala. 1911 pp. 403, 483.
[7] Const. of Ala. 1901. art. IV, section 70.
[8] Const. of Ala. 1901. art. IV, section 70.
[9] Const. of Ala. 1901, art. VI, section 137; art IV, sec. 72.

must give information by written message of the condition of the state and account to the Legislature for all moneys received or paid out by him or by his order.[10]

The Legislature is required to investigate the condition of the treasury of the state. This is usually complied with by the appointment of a joint committee from the members of the appropriation committees of the two houses who make this investigation with the aid of the state auditor and the state examiners of public accounts. At the last Legislature provision was made for the employment of accountants to aid in the examination of the treasurer's office,[11] and the governor was also authorized to employ expert accountants to examine the books of those receiving or handling state funds.[12]

The Legislature is organized for the consideration of finance measures by the appointment of a house committee on appropriation of fifteen, and a house committee on claims and fees composed of seven members.[13] The Senate has a committee of eleven members on finance and taxation which provides for accounts and claims, fees and salaries and the contingent fund.[13a]

There is no joint committee on finance, but the committees of the two houses perform much of this work together. The appropriation bills are not reported from these committees until all bills have been introduced and the report has been received on the condition of the state treasury.

The power of the governor of Alabama over finance legislation is greater than that of any other American executive and this feature of the Alabama plan is frequently alluded to with favor by those who hold to the theory of centralized responsibility in governmental affairs. We have already noted that the governor with the auditor and attorney-general prepares the general revenue bill. The preparation of the appropriation bills are not in his charge, except that his recommendation as to revenue states what the amount of the appropriation might properly be, but this function is performed by the state auditor. There has been a unique development of the veto power which seems to work in a satisfactory manner. The governor

[10] Const. of Ala. 1901, art V, section 123.
[11] Laws of Ala. 1911, p. 414.
[12] Laws of Ala. 1911, p. 490.
[13] Ala. House rules, 1907, 21.
[13a] Ala. Senate rule 41 (1907)

has the right in Alabama, as in many of the states, to veto specific items in the appropriation bills and he is given power in addition to initiate amendments.[14] To incorporate these amendments into the bill requires but the assent of a quorum, while to override the veto requires a majority of those elected in each house. This power to suggest changes in these measures has been resorted to frequently. Information upon which to base recommendations to the legislature may be secured by the governor's power to require information in writing under oath from the executive officers with reference to the respective offices or of the officers and managers of state institutions upon any subject relating to the conduct of their institutions.[15] The superintendent of education is given a contingent fund of $3,000 per year and he is required to account for it yearly to the governor.[16] The governor receives a contingent fund of $5,000.[17]

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[14] Const. of Ala. 1901, art V, section 125, See also section 126. "125. Every bill which shall have passed both houses of the legislature, except as otherwise provided in this constitution, shall be presented to the governor; if he approve, he shall sign it; but if not, he shall return it with his objections to the house in which it originated, which shall enter the objections at length upon the journal and proceed to reconsider it. If the governor's message proposes no amendment which would remove his objections to the bill, the house in which the bill originated may proceed to reconsider, and if a majority of the whole number elected to that house vote for the passage of the bill, it shall be sent to the other house, which shall in like manner reconsider, and if a majority of the whole number elected to that house vote for the passage of the bill, the same shall become a law, notwithstanding the governor's veto. If the governor's message proposes amendment, which would remove his objections, the house to which it is sent may so amend the bill and send it with the governor's message to the other house, which may adopt but cannot amend said amendment; and both houses concurring in the amendment, the bill shall again be sent to the governor and acted on by him as other bills. If the house to which the bill is returned refuses to make such amendment, it shall proceed to reconsider; and if a majority of the whole number elected to that house shall vote for the passage of the bill, it shall be sent with the objections to the other house, by which it shall likewise be reconsidered, and if approved by a majority of the whole number elected to that house, it shall become a law. If the house to which the bill is returned makes the amendment and the other house declines to pass the same, that house shall proceed to reconsider, as though the bill had originated therein, and such proceedings shall be taken thereon as above provided."

[15] Const. of Ala.

[16] Laws of 1911, p. 329.

[17] Cd. 572.

Arkansas.

The constitution of Arkansas prohibits continuing appropriations. The general appropriation bill must embrace nothing but the appropriations for the ordinary expenses of the executive, legislative and judicial departments and other grants must be made by separate bills, each embracing but one subject.[18] The procedure before the Legislature on finance measures is not materially different from that on other projects of legislation, except that the governor has the power to veto specific items in the appropriation bills and these vetoed items are void unless passed by the Legislature with the constitutional majority.[19] The state university and the normal schools are financed by bills passed at each session of the Legislature.

California.[20]

Regular appropriations for the support of the state government in California are cared for in the general appropriation bill. This measure is prepared by the state controller and submitted to the Legislature at the time of its organization. During the latter part of September in the years preceding the legislative sessions, blanks and circular letters are sent from the controller's office to the head of each board, commission or institution of the state, asking for estimates of appropriations for the ensuing biennium and such additional data as will be useful in the preparation of the budget. The submission of these accounts to the legislature has passed beyond the stage where we have observed it in Congress and the controller performs more than a ministerial duty in presenting them. He goes over them carefully and endeavors to comply with the demands of the various departments so far as is possible without recommending an exorbitant expenditure. Having determined upon his recommendations, the controller submits them in his biennial report with such explanations as he thinks proper. This report must be in the hands of the governor not later than December 15 and is published for the use of the legislature by the opening of the session.

The organization of the Legislature provides a committee in

[18] Const. of Ark. 1874, art. V, section 30.
[19] Const. of Ark. 1874, art. VI, section 17.
[20] Much of the information herein contained has been supplied by Mr. N. B. NYE, state controller of California.

each house charged with the consideration of appropriation measures. In the lower house it is the committee on ways and means and in the Senate it is the finance committee. There is in California no joint committee in charge of financial legislation. The Senate and Assembly committees always meet separately although there are frequent conferences between them and each keeps a fairly close watch on the work of the other.

The general appropriation bill is formulated in the Assembly committee of ways and means and then toward the end of the session reported to the lower house and considered in a committee of the whole. It is infrequently amended except for the correction of clerical errors, but passes through the lower house and is referred to the Senate in essentially the form in which it left the ways and means committee. In the Senate, the finance committee gives the measure consideration and, receiving the assent of the upper house, the bill is presented for the executive signature.

Only appropriations for the salaries of state officers, for the expenses of government and for the institutions under the exclusive control and management of the state may find place in the general appropriation bill. Few items are placed in the bill unless the service is provided for by existing statutes.[21] All other appropriations must be made by separate bills.[22] Construction work and other unusual appropriations of state funds must be separately considered. Consequently there are at times as many as a dozen bills for a single institution. No provision has heretofore been made for estimating the amounts to be carried in these separate bills, they are introduced by the members of the Legislature, first referred to the various committees dealing with the subject matter of the bills, and latterly to the finance committee of the Senate or the committee of ways and means of the Assembly and presented for legislative action as are other bills.

By a law of 1909 an attempt was made to provide for the submission to the Legislature by the controller of a list of the appropriations asked for by the state institutions and by the members. At least forty days before each regular session the controller must send to the head of each administrative depart-

[21] Const. of Cal. (1879) art. IV, section 29.
[22] Const. of Cal. (1879) art. IV, section 34.

ment of the state government and to those in charge of state institutions asking them to submit estimates of their needs in the way of extensions or improvements as well as for maintenance. Similar blanks are sent to senators and members-elect of the Legislature asking that they submit entries of appropriations they intend proposing. Those having claims against the state must file with the controller at least twenty days before the session opens, a statement of the amount of their claim and, in brief, the facts upon which the claim is based. Within ten days after the opening of the session, the controller must furnish the governor and each member of the Legislature a tabulated account of these requests with a brief description of the purpose of each proposed appropriation.[23] This was accomplished in the session of 1911 so far as the requests from institutions were concerned, but difficulty was experienced in getting from the members the amounts to be covered in bills they contemplated introducing. Nevertheless, the work of the Legislature was materially aided by this law. The introduction of bills by private members is cut off in the Assembly after the fiftieth day—after this time the question whether new matter will be considered is referred to a standing committee of three members.[24] The committee on ways and means must report each two weeks the exact condition of all legislation involving appropriations and the aggregate amount of all proposed appropriations pending.[25] There is a standing committee on commissions and public expenditures whose duty it is to ascertain what state commissions, institutions or boards, if any, can be abolished or consolidated with advantage to the public and a more economical administration of state affairs, or what expenditures or salaries may be advantageously reduced or discontinued.[26]

The estimates which the controller prepares relate to expenditures only. It was formerly the custom to introduce a tax levy bill late in the session after the appropriation bills had been cared for and a fairly clear idea could be had of the amounts they would carry; at the last session, however, the separation of local and state revenue was effected. The general property tax was supplanted by specific taxes and a general property tax is

[23] Cal. Pol. Cd. Sections 241–244.
[24] Ass. rule, 77.
[25] Assembly rule, 29.
[26] Ass. rule, 30.

now to be levied only in case of a deficiency in the special revenues. This change will necessitate a careful estimate of the amount of revenue which these various sources will produce.

With this change in the fiscal policy of the state with respect to revenue there came also a change in the method of support for the state university. It has always been the policy of the state of California to give a stable character to the revenues of this institution. Prior to the last session the university was partially supported by a three-tenths mill tax, but under the new fiscal plan an annual appropriation is provided which increases annually at the rate of seven per cent. The normal schools are entirely supported by biennial appropriations.

Responsibility for legislative appropriation is centered in the governor through the exercise of his veto power. Such items of the appropriation bills as fail of his approval may be vetoed without invalidating other portoins of the measure.[27] Those portions of which he fails to approve may only become law by a two-thirds vote of the Legislature. While it is true this control is exercised after rather than before legislative action, nevertheless, the desirability of securing the governor's final assent to the legislative product makes it advisable to consult him at various stages in its course. His position as head of his party also places him in a position to command the situation. Even when the governor and Legislature are of different political parties the former has a dominant influence.

The chairman of the ways and means committee of the Assembly, although named by the speaker, is actually chosen by the governor and at each stage of the proceedings through the Legislature, the executive is frequently consulted, not only with respect to the sum total of the appropriation but the purposes of the proposed grants. The veto power is more frequently used with respect to the individual appropriation bills than the general appropriation measure; the control of the executive over this latter measure in its legislative stages is so complete that the veto power is almost never resorted to. The power thus exercised by the executive is generally approved of by those familiar with the California system, as tending to centralize final control and responsibility. There is, however, a noticeable tendency, particularly with reference to the separate bills, for the

[27] Const. of Cal. 1879, art. IV, section 16.

Legislature to pass larger appropriations than the conditions of the state treasury will warrant, thus placing upon the executive the responsibility of so exercising his veto power that there will be no unusual drain on the public funds.

An institution worthy of particular note is the board of control whose primary function is to audit the accounts of state institutions.[28] It is composed of three members appointed by the governor and removable by him. All public institutions must be visited periodically by the board and their books audited. The money deposited in the treasury must be counted monthly and the amount published in the papers.[29] The school funds must also be investigated. Uniform systems of accounts are to be installed in all state departments and institutions. A biennial report must be made to each Legislature. The board has further power to supervise purchases and allow certain institutions to incur deficiences. When a real necessity exists for additional funds, the board of control authorizes the incurrence of a deficit and the institution affected makes such arrangements as it can to have necessary money advanced to it; this is often secured through the offices of a friendly bank. When the Legislature meets, a deficiency bill is introduced accompanied by the recommendation of the board of control. The Legislature is seldom known to refuse the passage of these appropriations.

A further leeway is provided by the practice of permitting certain institutions, such as the state hospitals, to retain the earnings and fees and apply these receipts to the expenses of these institutions. At the last session of the Legislature an appropriation of $75,000 was provided to be applied to such urgent necessities as the controller and the board of control might direct. Though the constitutionality of this proceeding is open to question, the fund has been drawn upon.

Colorado.[30]

Under the law of Colorado, five classes of appropriations are recognized. Appropriations of the first class consist of those to

[28] Laws 1911, p. 591. The biennial appropriation for this board in 1911 was $153,700. Since 1872 there had been a general examining board with power to audit accounts, and so far back as 1852 provision was made for the examination of public accounts.

[29] It is the custom in California to keep the public funds in the state vaults in the form of gold currency.

[30] Information on financial procedure in Colorado has been received from MR. HIRAM HILTS, a member of the state Senate.

provide for the expenses of the executive, judicial and legislative departments of the government; those of the second class embrace the appropriations for the support of penal and reformatory institutions; appropriations for education and charitable institutions form a third class and grants for boards and commissions form a fourth. In case of shortage of the funds, third and fourth class appropriations are prorated among those services. The fifth class is the last to be considered and consists of relief bills and miscellaneous items. The constitution contemplates a general appropriation bill which, however, may embrace only the ordinary expenses of the executive, legislative and judicial departments of the state, interest on the public debt and aid for the public schools.[31] These appropriations are cared for in what is designated the "Long Appropriation Bill." Other appropriations must be made in separate bills each embracing but one subject.[31] Most of the appropriations in Colorado are renewed at each session of the Legislature, but in certain cases of lesser importance, or when a continuing policy is advisable, more permanent forms of appropriation are provided.[32] By a recent statute it was provided that all appropriations for equipment or for temporary purposes are to be construed to mean for the biennium only, unless a limit is set to the time the appropriation shall run. This law is not to be so construed, however, as to effect bureaus or institutions of a permanent character.[33] It has been recommended, that continuing appropriations be further extended.[34] State departments and institutions are not required to submit estimates of their needs for the next biennial period but each session of the Legislature before adjourning makes provision for the appointment of a joint committee of representatives and senators to visit each state institution, make a thorough investigation of conditions and requirements and report to the next General Assembly. Representatives of the departments appear before the legislative committees and then argue their needs.

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[31] Colo. Const., (1876) art. V, sections 32, 21.

[32] An early opinion of the Colorado supreme court (*People v. Spruance*, 8 Colo. 533) delivered in response to the request of the Legislature for an opinion on the constitutionality of a proposed law, held that the Legislature had no power to make continuing appropriations but that appropriations must be made in separate bills for specific years by each successive Assembly. This case was overruled, however, in *In re Continuing Appropriation*, 18 Colo. 193 (1893), and the plan of continuing appropriations approved.

[33] Laws of Colo., 1911, ch. 19.

[34] Biennial message of GOVERNOR JESSE F. MCDONALD, 16. General Assembly, 1907.

The Long Appropriation Bill is usually prepared by the appropriation and expenditure committee of the house and but few amendments are made to this bill during its course through the Legislature. Other appropriation bills are submitted in either house and changes in these during their consideration are more frequent. Under the legislative rules any member may call for the report of any committee, by giving at least one day's notice, unless the House excuses the committee from reporting, three days after the reference of a bill.[35] No appropriation bill may be introduced after the first thirty days of the session except measures for the expenses of government.[36]

The provision of the federal constitution was embodied in the basic law of Colorado requiring all bills for raising revenue to originate in the House of Representatives, but allowing the Senate to propose amendments as in the case of other bills.[37] The expenses of each fiscal year, which ends Nov. 30, must be paid from the revenue of that year, although these revenues are not available until the following year. The revenues for each biennial period are estimated and the various departments draw vouchers within the limit of these estimates. In case there are no funds in the state treasury for the payment of the warrants issued by the auditor upon departmental vouchers, the warrants are stamped and draw interest at four per cent from that date. Since the state has a large school fund which may be invested under the law in any state security, these warrants are immediately taken up by this fund and the interest reverts to this fund while the state itself is placed on practically a cash basis.

The constitution prohibits a tax rate in excess of four mills on the dollar except to pay the interest and principal of outstanding bonds. Six of the state institutions receive portions of this tax income directly.[38] An attempt was made during the

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[35] State of Colo., Senate and House rules. 18th Ass. 1911. Rule XX, section 3.

[36] Const. of Colo., (1876) art. V, section 19.

[37] Const. of Colo., (1876) art. V, section 31.

[38] These are:

The Mute and Blind School	1/5 mill
The State University	2/5 "
The Agricultural College	1/5 "
The School of Mines	1/5 "
The Insane Asylum	1/5 "
State Normal School	1/5 "
State Capitol Building	2/5 "

Additional appropriations are made these institutions by annual grants.

last session of the legislature to require state departments to keep their funds and deposits with the state treasurer and to forbid their withdrawal except upon vouchers properly approved by the head of the department or institution. The object of this law was to make it possible for the state auditor and the treasurer to pass upon the legality of all expenditures and see that funds were used for the purposes for which they were appropriated. It was also felt that the interest these funds might draw should be returned to the state treasury rather than the departments themselves. Another practice prevalent in this state, which is very reprehensible from the standpoint of efficient control over the fiscal affairs of the state, is for the institutions to draw their appropriations in lump sums and deposit them in local banks. Frequently these appropriations are overdrawn and the banks allow overdrafts with the understanding that it is to be repaid from later appropriations. The bill to prevent this passed by the last Legislature though it was opposed by departments which received a revenue from fees and similar sources, and since a referendum petition was filed upon it, its operation was suspended and it was defeated at the polls in November 1912.

The constitution of Colorado gives the governor the right to veto specific items in appropriation bills[39] and following the interpretation of the supreme court of Pennsylvania with respect to a similar provision, the executive has not only freely used this right to veto, but even to reduce the amounts.[40]

During the session of 1909 the office of state examiner was created and the duty imposed upon the incumbent of investigating the financial condition of all state officers and institutions as well as of those county officers whose business affected the state revenue, and to install uniform accounting systems. [41] The next legislature created an audit board to consist of the gover-

[39] Colo. Const. (1876), art. IV, section 12.

[40] Among the appropriations affected by this exercise of the governor's power of veto in 1911 were the appropriation for the University of Colorado (Law of 1911, ch. 72) involving $50,000, for the Soldiers' Home (ch. 65) $13,000, and for the emergency school fund (ch. 61) cut from $40,000 to $20,000; equipment for the Deaf and Blind School (ch. 60), for the Reformatory (ch. 43), for the Penitentiary (ch. 39), for the normal schools, (ch. 38); and for the Agricultural College (ch. 38), also certain salaries in the Long Appropriation Bill (ch. 18).

[41] Laws of Colo. 1909, ch. 102.

nor, auditor general, treasurer, secretary of state, and the attorney-general. This board must sit each month, must audit all printing bills, may authorize transfers of surpluses from one department to another and examine the estimates for printing, stationery, telegraphy and similar items which the departments are required to submit.[42] This board has further the power to grant aid from the emergency fund.

Connecticut.

As a basis for the biennial appropriations of the state of Connecticut, the treasury department is required to publish estimates of needed appropriations for the next two years. This work is, however, chiefly a formality and is made upon the expenditures for the last fiscal period with slight modifications to embrace known changes which are thought advisable. Measures dealing with revenue are handled through the finance committee, while the appropriation committee has charge of expenditures. These are joint committees of the two houses and each consists of two senators and nine representatives. There is in addition a joint committee on claims to which claims and other demands upon the state are referred.[43] The appropriation committee has a strong influence over the supply measures upon the floor of the Legislature and it is reported that consequential changes in their recomendations are infreuqent. Appropriations are made for the ensuing biennium only, continuing appropriations being unknown in this state. Unexpended appropriations revert to the treasury six months after the close of the period for which they were appropriated. All appropriations over $10,000 must be itemized and itemization otherwise is carried as far as possible.[44] Should departmental appropriations prove inadequate, it is within the power of the board of control to increase their appropriations. The board of control is composed of the governor, treasurer, comptroller, and attorney-general. When in their judgment the necessities of any department require, and while the general assembly is not in session, whenever the appropriation shall have proved to have been insufficient to meet the expense incurred under exist-

[42] Laws of Colo. 1911, ch. 76.
[43] Joint rules Conn., II, 2, 6. Leg. 1911, pp. 117, 118.
[44] Statutes of Conn., 1902, sections 23–25.

ing statutes authorizing the expense and whenever such appropriation shall have been exhausted, they may increase any specific appropriation made by the General Assembly for any such department. Expenditures may be authorized only by the written consent of each board member and for purposes authorized by existing law. The total amount of such increases must not exceed $150,000 for the two fiscal years. These increases are to have the same force and effect as though made by the General Assembly and the board is required to report to the General Assembly not later than the third week of the session what increases have been authorized.[45] Whenever they believe the necessities of any state department require it, the board of control may transfer from any specific appropriation of a department to another specific appropriation of the same department when the latter has proved insufficient to meet the expense of the service authorized by statute.[46]

Delaware.

There is little to distinguish the method of considering finance measures before the General Assembly of Delaware from the consideration of other bills. Revenue bills must originate in the House of Representatives, although the Senate may propose amendments as on other bills.[47] Not only are the finance measures separately considered by the two houses, but in each house there are different committees to consider revenue and expenditure bills. Appropriations are made for the current year only and the unexpended balances revert to the treasury. The governor of this state is given power to veto specific items in appropriation bills.

Florida.

Little has been done in this state toward the development of a scientific budget. Specific yearly appropriations are made for the support of the various state offices and departments, although there are a number of separate funds for services of a permanent character. An effort has been made by the board of control of the state educational institutions to secure a more

[45] Conn. Public Acts, 1905, ch. 198.
[46] Conn. Public Acts, 1911, ch. 238.
[47] Const. of Del. 1897, art. VIII.

permanent form of support for the state university, preferably a mill tax, but as yet this has not been accomplished. The governor has power to veto specific items in appropriation bills. By a recent law the office of state auditor was created and this officer was given power to examine the books of the county as well as the state departments and he is required to inspect them at least once each year.[48]

Georgia.

Although most of the appropriations in this state are determined by permanent statutes, a budget bill is made at each session for salaries and additional appropriations are made by joint resolution. While some permanent funds are available for the state institutions, these are of small amount. The treasurer is required to report quarterly to the governor and submit to him before the legislative session a statement of the probable income of the state. Bills for raising state revenue must originate in the lower house. The governor is provided with a contingent fund of $15,000. A joint committee on finance must examine each year the accounts of the state treasurer and of the comptroller.

Idaho.

All appropriations in Idaho are made for the ensuing biennium only and there has evolved a method for considering the needs of the various state services which follows crude budgetary lines. Departments and institutions submit estimates of their needs to the governor and these are by him referred to the Legislature after it convenes. There is in each house a committee on state affairs, whose duty it is to examine into the accounts and expenditures of the state auditor, state treasurer and of other officers who control state moneys and to report by the thirtieth day of the session as to whether the expenditures have been justified by law, whether expenditures are supported by vouchers, and whether there is evidence that retrenchments can be made in any particular lines. The appropriations are prepared and supported upon the floor of the Legislature by this committee acting with the committee on appropriations. In addition to the examination of the committee on state affairs, the insurance commissioner is required to examine the accounts of the various

[48] Laws of Fla. 1905, ch. 14.

state officers. Neither of these methods provides an adequate control over the state expenditures. The appropriation committee reports the budget bill to the Legislature late in the session and it is usually passed but shortly before adjournment. The budget contains the appropriation for the usual state expenditures, a supply bill provides for deficiencies of the preceding year and grants in relief are provided in separate acts. With respect to the procedure in the lower house, appropriation bills are all in charge of the appropriation committee but revenue bills are considered by the committee on ways and means and the joint committee on revenue and tax.

By the constitution of this state the governor is given the power to veto items in the appropriation bills and during the last session this power was not only freely exercised but, relying on the sanction of a Pennsylvania decision,[49] Governor Hawley reduced the appropriation made by the legislature for certain services, particularly with respect to the university. The constitutional authority for this act was gravely questioned but the matter was not submitted to the courts. There has been evidence of a strong tendency on the part of the Legislature, owing largely to the lateness of the time when the appropriation bill is submitted and the fact that the governor has extensive veto power, to pass appropriations far in excess of the amount the revenues of the state will warrant, trusting the executive to veto sufficient items to make the authorized expenditures fall within the estimated revenue. Thus there is conferred upon the governor practical control over the appropriations. Owing to the uncertainty of the appropriation for the support and development of the state educational institutions, an attempt was made at the last session to secure a mill tax for their maintenance. The law but requires that an item be inserted in the general appropriation bill equal to the amount of a fixed millage tax. It is of course in no wise obligatory upon the legislature to do so and even the Legislature which passed the millage law failed to provide for the required appropriation in the budget bill. Even were this item included it would be subject to the veto power of the governor.

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[49] *Commonwealth v. Barnett*, 199 Pa. 161.

Illinois.

In the organization of the Illinois Legislature there is an appropriation committee in both the House and Senate to which all appropriation measures are referred and to these committees all state institutions and departments submit their requests for appropriations for the next two years. Little is done to prepare estimates of needed appropriations for the state services prior to the session but upon the organization of these committees, subcommittees are appointed by the chairmen of the two appropriation committees to visit each of the state institutions and report to the full committees their needs. The heads of the various state institutions and departments then appear before the Legislature and urge their appropriation for the ensuing biennium. Although the appropriation committees of the two houses act in concert, there is no joint committee to have charge of revenue and expenditures. Even in the lower house alone, the committees are numerous and large.[50] When the public hearings have been held the chairmen of the appropriation committees of the two houses include these appropriations in an omnibus bill and if the amount thus carried is in excess of the sum it is thought the administration will sanction, various items of the bill are reduced. The chairmen of the appropriation committees have practical control of the various appropriations and it is only rarely that the committee recommendations are changed during the course of the bills through the legislature.

The constitution of Illinois provides that each General Assembly shall provide appropriations necessary for the support of the government until the expiration of the first fiscal quarter after the adjournment of the next regular session and that the aggregate amount may not be increased without a vote of two-thirds of the members elect of each house.[51] This provision is not only unfortunate because of the heavy vote necessary to pass appropriation measures but because the Legislature is hereby prevented from making any permanent provision for the support of

[50] The 47th General Assembly (1911) had as standing committees, a committee on appropriations of 44 members, a committee on claims of 16, a committee on contingent expenses of 10, on fees and salaries of 17, on finances of 15 and on revenue of 28 members.

[51] Const. Ill. 1870, art IV, section 18.

the state government and the public institutions.[52] An attempt was made at the last session of the Legislature to remedy this situation, in so far as the university is concerned, by providing a mill tax for its support. The returns from this tax will not, however, be available for that institution until appropriated specifically by the Legislature at each session. This tax does not, therefore, constitute a method for the permanent support of the university but is advisory for the succeeding Legislature and establishes a fund which can be used for no other purpose. The governor has the power in this state to veto specific items in all appropriation bills, and as all appropriations must be renewed at each session, he is thus in virtual control of the finances of all public services. Within sixty days after the adjournment of each session, the state auditor must publish a full statement of all money appropriated.[53]

Indiana.

The preparation of the appropriation measures in the state of Indiana commences with the departmental estimates which contain a report of the previous year's expenditures in the various departments and institutions and estimates of needs for the ensuing biennium. These are submitted to the governor by the 31st of October, and after the fall elections the executive submits them to the members-elect of the Legislature. The governor chooses three members-elect of the Legislature, not more than two of whom may be of the same political party, to form a visiting committee to study these estimates as submitted and visit the state institutions and investigate their needs for the immediate future.[54] This plan has been in operation since 1903 and seems to give satisfaction. This committee has been uniformly composed of leading men. The chairman of the ways and means committee is customarily taken from it and frequently the chairman of the senate committee on finance. The custom has become thoroughly established and a member of this

[52] Appropriations for the University and the Medical School were recently (1912) declared void by the Illinois Supreme Court because the required constitutional majority was not secured. A special session of the legislature was called to rectify the difficulty but the previous appropriation was not secured.

[53] Const. Ill. 1870, art. IV, section 17.

[54] Laws of Ind. 1901, p. 75.

committee is in line for prominence in the work of making up the appropriation bill. Their determinations usually form the basis for the budget bill but in the years when the appointing governor and the incoming Legislature are of different political parties, the advantages of this system are less noticeable. An accountant is employed by the committee and a report on the claims of the various departments is prepared after an estimate of the available revenues of the state is received.

A large number of the state services are supported by permanent appropriations and the educational institutions, Indiana University, Purdue University and the Indiana State Normal School are supported by mill taxes. Many of the state services are, however, supported by annual grants. An innovation was made during the last session of the Legislature by dividing the general appropriation bill for the support of the government into two parts, the first containing appropriations for maintenance and the other for new services and construction. There is on the statute books of Indiana an old law of 1869, authorizing the governor to issue warrants for the support of the state institutions for the blind, insane, old soldiers or the House of Refuge, not to exceed the last previous appropriation for this purpose, should the legislature adjourn without having provided for them.[55] This law has not been used, however, in the memory of the present generation.

Public accountants are employed to examine the books of those institutions and departments receiving state aid.[56]

Iowa.

The consideration of appropriation measures in the Iowa legislature does not differ materially from the plan adopted with respect to other bills. Appropriation bills are introduced in either house, those relating to the support of state institutions, except the educational institutions, by a member coming from the locality where the institution is located and for the state departments by friendly representatives. These bills are referred to the appropriation committees of the respective houses, but a limited time being allowed these committees for their consideration. When each committee has examined the bills which

[55] R. S. 1908, section 3423, laws of 1869, p. 22.
[56] Laws of Ind. 1909, p. 1351; Laws of 1911, p. 195.

have been referred to it, joint meetings are held for the preparation of the final reports. A house rule contemplates that each standing committee will classify all bills referred to it, placing those of the greatest public importance first and all others second. First class bills have priority in consideration.[57] The committee recommendations are usually made law without serious modification. The committee on retrenchment and reform and the sub-committee on appropriations take into consideration the probable state revenue in formulating their recommendations. The committee on retrenchment and reform is composed of the chairmen of the three ranking committees of the House and Senate. Separate committees of each house consider revenue measures and claims.

Permanent appropriations are provided for many of the state departments and institutions and the universities are supported by mill taxes. For the fiscal management and control of the higher institutions of learning in the state a state board of education has been created. To this board, the institutions under its control, the university, the state college of agriculture and mechanical arts and the state teachers' college through their own board of regents, submit estimates of their additional needs and these are submitted to the legislature by the educational board with such modifications as the board sees fit. The appropriation for these schools is made through the bill. Building funds for these institutions are provided for by mill taxes running for five year periods, thus allowing a permanent plan to be prepared and carried out.

Kansas.

Kansas has frequently been referred to as a budget state not because, however, of any scientific method of preparing the estimates or of considering them in the Legislature, but because all appropriations are renewed at each session of the Legislature. This is made mandatory by the constitution.[58] Each state

[57] House rules, 58.

[58] The Const. of 1859 was amended in 1876 by addition of the following section: "No money shall be drawn from the treasury except in pursuance of a specific appropriation made by law, and no appropriation shall be for a longer term than two years" art. II, sec. 24. Previous to this, appropriations were limited to a one year period. Under this provision no appropriations at all are possible except by legislative sanction and this restriction is not to be evaded by the creation of departmental funds. *Martin v. Francis*, 13 Kans. 220, 1874.

board prepares estimates of the needs of the institutions under its control, the charitable institutions are under a board of control and the penal and reformatory institutions are under a separate board. Each educational institution has its own board of regents which prepares estimates of its anticipated needs. These are sent to the state auditor who submits them to the Legislature, usually in practically the form submitted, although sometimes changes in the estimates are recommended. The executive council prepares the budget for the executive and judicial departments and each of the other state departments prepares its own estimates. These estimates are prepared in some detail and serve as a starting point in the consideration which the Legislature gives to the financial situation.

It has become customary to divide the work of going over estimates between the ways and means committees of the two branches of the Legislature—the Senate committee taking the educational and penal institutions and the House committee reviewing the estimates of the charitable and penal institutions and those of the executive department. It is reported that the estimates as submitted are rarely changed in the committee. However, hearings are held upon the bills and such changes as seem desirable are incorporated. The final shape is given these measures in joint session of the two finance committees and their recommendations are invariably followed by the Legislature. Should a bill to appropriate money be lost upon final vote, no motion to reconsider is in order.[59] Few states pass appropriations in such detail as is done in Kansas. Nearly every department is provided with a contingent fund for unforseen expenses. Each two years the governor is required to select an accountant to visit the state treasury and institutions without previous notice and examine their books.[60]

By an amendment to the constitution, passed by a substantial majority in 1904, the governor is given the right of vetoing separate items in appropriation bills.[61] The short experience which this state has had with this feature of budgetary control has resulted in its general endorsement by those familiar with legislative practice. There has been evidence, however, that

[59] Senate Rule 14 (1911).
[60] Cd. of Kansas. 1909. Section 8973.
[61] Art. II, Section 14.

coupled as it is with the Kansas system of biennial appropriations, expressed in considerable detail, the governor is given a complete control over all institutions, even those which should admittedly be kept out of politics and by the use of this power is able to dictate departmental policies. It has been charged also that the executive has at times thought to win a record for an economical administration by vetoing items whose need it is difficult to explain to a large constituency. There have been, however, but two governors in office since this amendment took effect and no experience has been had with an executive of a different political faith from the legislature.

The system of temporary appropriations has seriously hampered the work of the educational institutions and an effort is now being made to amend the constitution to provide for the mill tax. It has been impossible to make adequate plans because of the indefiniteness of future aid and economies otherwise possible have thus been prevented. That this plan is unsatisfactory, seems to be almost universally conceded.

Kentucky.

Appropriation bills are handled in the Kentucky Legislature in very much the same manner as are other measures. The lower house has committees on appropriations or claims, on retrenchment and reform, on sinking fund, and on ways and means, consisting of nine members each.[62] The Senate has a committee on appropriations to which all matters involving the appropriation of money from the state treasury for any public or general purpose must be referred, and committees on claims, on revenues, on the sinking fund, and on ways and means.[63] It is evident that the work of considering the revenue and appropriation matters which must come before the Legislature is badly divided. Bills for raising revenue must originate in the lower house, and although the Senate has the usual right of amending these measures, no matter may be introduced which does not relate to that subject.[64] Appropriation bills may contain authorizations only for expenditures previously authorized by law[65]—the congressional procedure being here followed. Upon

[62] House rule 41 (1910)
[63] Senate rule 14 (1910)
[64] Ky. Const. 1890, section 47.
[65] House rule 60 (1910)

the final passage of acts or resolutions for the appropriation of money or the creation of a debt, the vote of a majority of the entire membership of each House must be secured. [66]

The system of continuing appropriations is extensively used in Kentucky and appropriations are made by separate acts rather than by general appropriation bills. A small mill tax provides a part of the revenue for the state university. The governor is given by the constitution the right to veto items in appropriation bills and this right has been frequently used especially when the governor and the Legislature have been of different political parties. The governor is given authority to send an examiner to inspect the books of any public institution at any time. The constitution makes it the duty of the General Assembly to provide for a monthly investigation into the accounts of the treasurer and auditor of public accounts. These reports are made to the Governor and are then published semi-annually in two newspapers of general circulation in the state and submitted to the General Assembly. [67] Governor Wilson in 1910 recommended the installation of an accounting system patterned after those of commercial undertakings and a firm of accountants was employed to work out such a method, but the Legislature failed to endorse the plan.

Louisiana.

The Louisiana constitution prescribes in some detail the method in which finance legislation must be considered and the form these measures shall take when embodied in law. All bills for raising revenue or appropriating money must originate in the House of Representatives, although the Senate is allowed the amending power. [68] The general appropriation bill may embrace nothing but appropriations for the ordinary expenses of the government, interest on the public debt, and support for the public schools and for public charities. These appropriations must be closely itemized. Other appropriations must be made by separate bills, each embracing but one subject. [69] Contingent appropriations are specifically forbidden. [70] Money may

[66] Ky. Const. 1890, section 46.
[67] Ky. Const. 1890, section 53.
[68] La. Const. 1898. Art. 37.
[69] Const. Art. 55.
[70] Const. Art. 56.

be drawn from the treasury only in pursuance of a specific appropriation, and the constitution prohibits appropriations for periods longer than two years.[71] Some effort has been made to place the support of the educational institutions upon a millage basis but it has as yet been unsuccessful. The General Assembly is forbidden to pass appropriations during the last five days of the session.[72]

The governor is given the power to veto separate items in appropriation bills. By a recent law the office of supervisor of public accounts was created. This office is to be filled by an appointee of the governor with a four year term and a salary of $5,000. $20,000 was appropriated for the examination of the books of the tax collectors, those who disburse public funds and of state institutions receiving state aid and for the installation of uniform systems of accounting. The supervisor must report at irregular intervals to the governor.[73]

Maine.

The consideration of the fiscal needs of the state of Maine begins with the estimates which the heads of all departments, state institutions, commissions, boards and those entrusted with the expenditure of state money, are required to file with the auditor. These must be submitted on regular forms by the first Monday of November preceding the legislative session. The auditor must send these estimates to the members-elect of the Legislature by December 15th, together with his estimate of the state revenue.[74] They embody the proposed expenditures of the respective institutions for the next two years as well as an estimate of departmental receipts. They are divided into fixed charges, other charges, and extraordinary and unusual expenses. Expenditures which do not come under any State department are estimated by the auditor. These estimates are published by the auditor in a pamphlet comparing the estimated revenue with the estimated expenditures for the ensuing biennium and showing the proposed expenditures for each year to be provided for. These accounts are divided between

[71] Const. Art. 45.
[72] Const. Art. 57.
[73] Laws of La. 1910, p. 38.
[74] Public Acts of Maine, 1911, p. 150.

fixed charges and extra expenses, and are exhibited according to departments.

There is in the Legislature a joint committee on appropriations and financial affairs. In the last Legislature a plan was placed in operation whereby all requests for appropriations were required to be presented to this joint committee and in this way the committee was enabled to keep quite an accurate account of what was being appropriated and how it compared with the known income of the state. This plan worked admirably and the state expenditures were kept within the estimated income. The previous Legislature had allowed the appropriations to exceed the estimated revenue by a million dollars.

The greater part of the state appropriations are made by biennial appropriations, although there is a small continuing appropriation for the university. There are mill taxes for the support of the state highway department and the National Guard. The Normal schools are supported by biennial appropriations. This is especially inconvenient in this state inasmuch as the fiscal year ends with the calendar year and no appropriations are available for maintenance until the legislature takes action. The university has been hampered at times because of its inability to plan for the future and at one time an effort was made to control the policy of the institution through its appropriation. Bills for raising revenue must originate in the lower house. The governor is given a contingent fund of $10,000 which he may use with the advice of the executive council. This is the only contingent fund in the state.

Maryland.

Appropriations in Maryland usually run for the biennium only although very small appropriations are made to some of the state institutions for an indefinite period and the $5,000,000 appropriation for good roads was made for seven years. Little has been done in this state to work out any budgetary plan, appropriation bills being considered much as other projects of legislation. The governor is given power to veto items of appropriation bills and semiannually (and oftener if he sees fit) must examine the treasurer and comptroller under oath with respect to matters pertaining to these offices and accounts. Small con-

tingent funds are placed at the disposal of the governor, treasurer and comptroller, respectively.

Massachusetts.

An effort has been made in this state to establish an adequate and uniform system of accounting and various plans have been proposed for a financial program. Pursuant to an order of the General Court of 1907, a joint special committee on ways and means made a report to the Legislature of 1908 with reference to the financial methods of the state departments, boards and institutions, their system of accounting and the classification and grading of salaries of their officers and clerks. The services of an audit company were secured and recommendations were made respecting the accounting systems in use in the state, for purchasing and auditing. The committee itself recommended changes in the accounting systems looking toward greater uniformity, a more conservative policy with respect to the accumulation of a state debt, a classification of salaries and the creation of a board of finance to consist of the lieutenant-governor, the treasurer and receiver-general of the commonwealth, the auditor of accounts, the chairmen of the senate and House committees on ways and means. This board was to have charge of the preparation of the state budget. Estimates of revenue and expenditures were to be referred to this board for its consideration and report to the Legislature. "The board of finance should give its special attention to the broader aspects of the problem, to the relation of the proposed expenditures to the revenue of the commonwealth and to their effect on taxation. The board of finance should have authority to conduct of its own volition informal special examinations or investigations of expenditures and of financial methods and management. The various committees of the Legislature should be permitted to refer informally bills and resolves for special appropriation to the board of finance for its consideration and report."[75] Bills were drafted to carry out these proposals but the plan has not been adopted. Accountants have subsequently been employed to devise a more scientific method for dealing with state finances, but neither have their recommendations as yet been embodied in law.

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[75] House Doc. 225. (1908) p. 14. A minority of the committee dissented from the recommendation.

Steps have been taken, however, to secure a more satisfactory method of handling appropriations and by a law of 1910,[76] those in charge of institutions or undertakings which receive annual appropriations are required to submit to the auditor by November 15 of each year detailed statements showing the amount appropriated for the current fiscal year and the amounts required for the ensuing fiscal year with explanations for increases and citations to the statutes relating to them. The auditor publishes these statements and his estimate of revenues as a single document and submits it for examination by the first Thursday in January to the governor and council. Copies are distributed to members of the General Court. In a similar manner estimates of requests for special purposes are sent to the auditor and are by him submitted to the governor, the council and the General Court in a special document. Requests for new buildings must be accompanied by drawings and plans and estimates of builders respecting its cost. It is contemplated in the law that the governor will submit to the General Court such information as will enable them to act advisedly upon the estimates and in order that he may make recommendations he is authorized by law to employ such persons as he may deem proper to conduct investigations into the work of the various departments.[77] It is the design of these laws to center responsibility in the governor for the methods of accounting and the fiscal affairs of the state and of the various departments.[78] These estimates, after reaching the Legislature with the executive's recommendations, are referred to the joint committee on ways and means, hearings are held upon the proposed authorizations, and a report made to the Legislature upon which it may act.

The Massachusetts General Court meets annually and it is customary to make appropriations for but the ensuing year. Separate bills are passed for each of the various state departments or special services. It is the evident contemplation of the law that the salaries of the judges and various other state officers be permanently established and indeed the permanency of the salary of the chief executive is provided for constitutionally.[79] These are,

[76] Ch. 220.
[77] Public Acts, 1911, ch. 82.
[78] See letter of Gov. Foss, Jan. 24, 1911, House Doc. No. 1391.
[79] Mass. Const. 1780, ch. II, sections I–XIII.
As the public good requires that the governor should not be under the undue influence of any of the members of the General Court by a

however, voted yearly. The fiscal year in Massachusetts begins Dec. 1 while the legislature meets on January 1st and appropriates for the current year only. It is customary, however, to allow the various state services to receive state grants at the old rate until the new ones are available.

The constitution requires that all revenue bills originate in the lower house. A revenue act is passed each year specifying the assessment to be raised by the respective cities and towns.

Michigan.

In Michigan appropriation measures are treated very much as other bills, except that they must be referred to a special committee in each house for examination with respect to their final aspect. There is no budget bill, the finances of the state being arranged for by separate acts which are renewed at each session. The appropriation measures for the state institutions are prepared by these institutions before the convening of the Legislature and are generally introduced in the Legislature by a member from the locality in which the institution is situated. The auditor general prepares the general appropriation bill which covers appropriations for the maintenance of the state departments, pay for the state judiciary, the expense of the Legislature, and similar items. The record for the past fifteen years shows that the estimates as prepared by the auditor have been materially reduced by the Legislature. These reductions have varied from $172,000 to $587,000 and have averaged about $340,000.[80] In Congress, on the contrary, the actual appropriations are, as a

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dependence on them for his support, that he should in all cases act with freedom for the benefit of the public, that he should not have his attention necessarily diverted from that object to his private concerns, and that he should maintain the dignity of the commonwealth in the character of its chief magistrate, it is necessary that he should have an honorable stated salary, of a fixed and permanent value, amply sufficient for those purposes, and established by standing laws; and it shall be among the first acts of the general court, after the commencement of this constitution, to establish such salary by law accordingly.

Permanent and honorable salaries shall also be established by law for the justices of the supreme judicial court.

And if it shall be found that any of the salaries aforesaid, so established, are insufficient, they shall from time to time, be enlarged, as the General Court shall judge proper.

[80] See inaugural message of Gov. Warner, Jan. 7, 1909.

rule, in excess of the estimates. It is a popular impression in this state that the estimates of the departments and institutions as submitted are purposely made high in anticipation of reductions. These bills, if introduced in the lower house are referred to the committee on ways and means and, if senate measures, go to the committee on finance and appropriations.

There is a state board of corrections and charities which has charge of these institutions and prior to each session estimates are collected from the institutions, printed and presented to the Legislature as a report. Each house of the Legislature is divided into a number of committees and one of these committees is assigned to each state institution and their requests examined by these committees and later by the finance committees. The appropriation committees and those on the different institutions usually visit the institutions to inspect them personally.

Permanent support is given the university and the Michigan Agricultural College by a mill tax, though the general rule is for appropriations to run but for the biennium. The constitution of 1908 followed the practice in use in the greater number of states and gave to the governor the power of vetoing items. There has been little experience as yet with this plan and inasmuch as it is the usual custom to pass appropriations in separate acts, little change was made. It has been thought by some, however, that there is a danger in connection with the method of biennial appropriations, that the executive will come to wield a too great power over institutions whose appropriations he must periodically sign, and that the temptation to cut down appropriations to gain a reputation for economy is nearly irresistible. Since the Legislature usually defers passing the appropriation till the close of the session and adjournment is taken before the bills are signed, little opportunity is given to pass measures over his veto. A feature in the new constitution which affects the consideration of appropriation bills is a provision respecting the use of the referendum, whereby such bills are excluded;[81] but when questions are submitted which involve the direct expenditure of public money or the issue of bonds, every woman having the qualifications of Michigan electors and who has property assessed for taxes in any part of the

[81] Art. V, Section 38.

district or territory affected, is entitled to vote on the question. [82] A two-thirds vote is required to appropriate money for local or private purposes. [83]

The secretary of state, the state treasurer, and commissioner of the state land office constitute a board of state auditors and examiners to adjust all claims against the state not otherwise provided for by general law. [84] The auditor general is required to inspect the books of the state institutions at least yearly. [85]

Minnesota.

Appropriations in this state are usually made by separate bills for each department or state service. A great many of the appropriations run for the biennium only, but some of the state services are funded by appropriations which run until specifically repealed. Among the permanent appropriations is that of the university, which receives partial support from a 23/100 mill tax. In addition to this tax there is a biennial appropriation of about $350,000. A strong effort has been made in this state to place the university upon a permanent basis of support by securing ½ mill tax in lieu of a tax of 23/100 mills. The normal schools are also upon a continuing appropriation, although insufficient amounts are received in this manner for their support. These must be increased by temporary appropriations.

Bills carrying appropriations are introduced in either house as are other measures for Legislation. In the Senate they are referred to the committee on finance and in the House to the committee on appropriations after having been reported upon by the committees dealing with the subject matter of the bills. These two committees on finance work independently, but toward the close of the session hold joint meetings in determining their report upon the major part of the appropriations.

The constitution prohibits the introduction of appropriation measures during the last twenty days of the session except upon the written request of the governor. All bills for raising revenue are required by the constitution to have their origin in the

[82] Art. III. Section 4.
[83] Art. V, Section 24.
[84] Const. Art. VI, Section 20.
[85] Laws of Michigan, 1903, Ch. 228.

House of Representatives. The governor is given the power of vetoing items in appropriation bills and this power has been resorted to quite frequently. It has not, however, led to as serious abuses as has been evidenced in other states, due largely to the fact that many of the appropriations are of a continuing character and consequently the control which the executive exercises over them through his veto power is considerably lessened.

There is in the Legislature a committee on public accounts and expenditures which must examine into the state of the accounts and expenditures of the state auditors, state treasurer, officers of state institutions, and other officers entrusted with the custody or disbursement of public funds. This committee must report before the 20th day of February as to whether expenditures are justified by law and payments are evidenced by sufficient vouchers. It is the further duty of this committee to report upon retrenchments which in their judgment may be made in any department or changes which will effect economy in the conduct of public affairs. In addition to this there is a state board of audit consisting of the governor, secretary of state, auditor, the attorney-general and the public examiner, whose duty it is to audit the treasurer's book quarterly and report to the Legislature.

Mississippi.

The Legislature in this state meets but once in four years, and its methods of handling the appropriation bills are closely prescribed by the constitution. The general appropriation bills must contain only the appropriations for the ordinary expenses of the executive, legislative and judicial departments of government. For interest on state bonds and the support of the common schools other appropriations must be made by separate bills, each embracing but one subject. Legislation must not be engrafted on appropriation bills and the only matter which may properly accompany such legislation is that prescribing conditions under which the money may be drawn and the purposes for which it may be paid. Appropriation and revenue bills have precedence in both houses over all other business and must be passed before the last five days of the session. No law may be passed granting a donation or gratuity in favor of any per-

son or object except by the concurrence of ⅔ of each branch of the legislature. Appropriations for sectarian purposes are prohibited.

It is customary to make appropriations in this state for the four year period only since the constitution provides that no appropriation shall remain in force more than six months after the next regular session of the Legislature.

The majority vote of the members elect of each house is required to pass appropriation measures. Revenue bills or bills providing for assessment of property by taxation require a 3/5 vote of the members of each house. No appropriation bills may be passed by the majority which does not fix definitely the maximum sum authorized to be drawn from the treasury. The system of annual appropriations has not given complete satisfaction in this state, and an effort has been made at various times to install a mill tax system for the support of the educational institutions in lieu of the quadrennial grant.

Appropriation bills may be introduced in either house and are referred to the appropriation committee in the lower house and to the finance committee in the Senate. Little attempt has been made heretofore to present an estimate of expenditures for the Legislature, but plans have been made for submitting to the Legislature information which will show in parallel columns the amounts desired by the various state institutions and departments, the estimate and recommendations of the state auditor and the recommendations of the legislative committees.

The governor is given the right in this state to veto items in appropriation bills and is frequently authorized to borrow funds for certain designated purposes. An effort is being made to secure publicity in the treatment and handling of state funds, and the constitutional provision requires the state treasurer to publish under oath a statement on the first day of January and July of each year in a newspaper published at the seat of government showing the condition of the treasury on such days, the balance on hand and in the various funds. This certificate must be verified and signed by the governor, stating that the amounts so reported are actually in the state treasury.

Missouri.

In this state it is customary for the various institutions to have their needs cared for in measures presented by representa-

tives from the sections of the state in which the institutions are located. The Senate and House committees on appropriations originate all bills for the maintenance and support of the state departments. While this does not preclude members from preparing and introducing bills on these subjects, individual bills, as a rule, receive slight consideration.

These bills are usually prepared after hearings by the Senate and House committees separately and then jointly, at which time the estimates of these different departments and institutions are examined and criticized.

It is customary for the governor to appoint, about thirty days before the Legislature convenes, a committee composed of one senator and two representatives, who must visit the state institutions and report upon their legislative needs and prepare a tentative budget for legislative consideration. The auditing committee meets at the state capitol and audits the books, vouchers and accounts of the various departments and submits their report to the state Legislature. This auditing committee is, as a rule, composed of the leading members of the House and it is customary for all the members of this committee to be appointed on the appropriation committee.

The bills prepared by the appropriation committee are seldom materially amended inasmuch as the questions have been considered with far greater detail by the committee than is possible by private members, and information is lacking to private members which might lead to an intelligent and serious attack upon the proposed appropriation.

The constitution provides that no bill except a general appropriation bill may embrace more than one subject which shall be clearly expressed in the title. The general appropriation bill is usually very long. In 1911 it consisted of thirty pages with eighty-six sections, one section for each department. Other separate accounts carrying appropriations are those providing for civil offices, salaries, etc., for the eleemosynary and penal institutions, (containing some thirty sections) the university and educational appropriations, certain deficiency appropriations and various miscellaneous drafts. It is customary in this state to make appropriations in considerable detail, itemizing the bills and setting forth the purposes for which expenditures are to be made. The constitution further provides that payments must

all be made within two years of the passage of the act of appropriation and that all revenues collected and moneys received by the state from all sources must go into the state treasury. The General Assembly is without power to divert these state funds except in pursuance of regular appropriations. Appropriations are required to be made by the General Assembly in the following order: First, the payment of interest on the bonded debt accruing during the life of the General Assembly; second for the benefit of the sinking fund, a sum of not less than $250,000 annually, third, for the interest of the free public schools; fourth, for the payment of the cost of assessing and collecting revenues; fifth, for the civil offices; sixth, for the eleemosynary institutions; and seventh, for other purposes determined by the General Assembly. It will be seen that the General Assembly is not only precluded from making continuing appropriations in the ordinary form, but is also prohibited from providing for the support of educational or similar institutions by a mill tax. For a number of years a campaign has been prosecuted in this state to amend the constitution in this respect, but owing to the fact that the amendment has become complicated with other proposed changes, the movement has as yet been unsuccessful. The university receives for its support the income from the collateral inheritance tax which varies from $250,000 to $400,000 annually. This must, however, be appropriated by the Legislature before it is available.

The chief difficulty in financing the state institutions in this state has been to secure sufficient revenue under the constitutional limitation for their proper support. This limitation is felt by all departments and it is a serious problem to distribute pro rata the revenues of the state among the legitimate activities. Difficulty was experienced in this respect during the session of 1909, more especially as regarded the university. The previous Legislature had appropriated more funds than could be raised under the state revenue system. This caused a deficit which had to be provided for during the session of 1909. For this reason decreased appropriations were imposed and the university was forced to conduct its affairs during the ensuing biennium upon the old grant, notwithstanding the fact that the attendance had increased during this period something over five hundred students.

A further difficulty occurs through the itemizing of the appriation bills. It is impossible to pursue a constructive and permanent plan for the upbuilding of the institutions, since changes may be made through the appropriation laws, because of the detail in which they are expressed, and because of the power of the governor to veto the items in these appropriation bills. An instance of this character arose recently with respect to the appropriation for the school of journalism; opposition having arisen to the publication of a newspaper by this department, there was inserted in the appropriation a clause prohibiting the use of funds for this purpose. The governor is required by the constitution to account to the General Assembly for all moneys received and paid out by him through any funds subject to his order and at the commencement of each regular session he must present estimates of the amount of money required to be raised by taxation for all purposes.

Montana.

The constitution of Montana demands a general appropriation bill containing items for the support of the ordinary expenses of the legislative, executive and judicial departments of the state, for the public schools, and interest on the public debt. Other appropriations must be met by separate bills. Although not required by the constitution, it is customary to make appropriations for the ensuing biennium only and to specify in some detail the purposes for which the grants are authorized. This has had a serious effect upon the development of the educational institutions in this state; inasmuch as they are compelled to go to the governor and Legislature every two years for appropriations, these institutions have been kept almost constantly in politics and the work of the institution has been neglected and hampered for this reason, and they have been induced to combine with other state institutions in order to secure appropriations for their support. It has been almost impossible for them to pursue any consecutive policy. The various institutions submit estimates for the ensuing biennium prior to the convening of the Legislature and the governor makes recommendation with respect to them.

During the session of 1911 the appropriations by the Legislature were in excess of the funds available for state purposes

and consequently it was necessary to reduce the available funds below the amount provided by law.

The constitution prohibits the introduction of appropriation bills within the last ten days of the session and all the bills for raising revenue must originate in the House of Representatives. The governor is given the right to veto items in appropriation bills and it frequently is necessary for him to exercise this power to reduce the appropriations to an amount within the estimated revenue of the state. Semiannual reports must be made to the governor by the officers of the executive department and of all public institutions of all moneys received or disbursed by them and of services performed. At least twenty days before the regular session of the Legislature, the governor must make his full report of the transactions of these departments. The constitution provides for a state examiner to be appointed by the governor and confirmed by the Senate. He is required to examine accounts of the state treasury, supreme court clerks, district court clerks, and county treasurers and treasurers of such other public institutions as may be prescribed by law, and report to the legislative assembly. There has been created by statute the office of state accountant and he is required to examine at least once in three months the books of the secretary and treasurer of the university, normal schools, agricultural colleges, and penal and charitable institutions. No claims against the state are paid except after examination of the board of examiners, consisting of the governor, secretary of state, and the state treasurer. This board has also charge of furnishing stationery, furniture, etc., of the various departments and of taking a periodical inventory of this property.

Nebraska.

The constitution in this state requires all appropriation bills to originate in the lower house. It is customary for the state departments and institutions to submit estimates of their needs for the ensuing biennium and these are presented to the House committee on appropriations. Appropriations are made but for a two-year period and it is customary to specify in some detail the purposes for which grants are available. These items are frequently amended in a committee of the whole or in the senate committee on appropriations.

Appropriation measures have the right of way in the Legislature, the order with respect to other bills being determined by a steering committee. Appropriations for deficiencies beyond the general appropriation bills require a two-thirds vote of the members elected to each house and must not exceed the amount of revenue authorized to be raised. The constitution further provides that each legislature shall make appropriations to the end of the first fiscal quarter after the adjournment of the next regular session and that an appropriation must end with that quarter. This provision has given rise to considerable litigation and the courts have held the Legislature quite closely to this restriction. [86]

Offices created by the constitution may not be abolished by the Legislature through the failure to support them by proper appropriations. It is within the province of the Legislature to reduce salaries or grants, but the failure to make any appropriation would result in the abolition of the office which would be unconstitutional. [87]

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[86] In 1895 a law was passed granting a bounty of five-eighths of a cent per pound on sugar manufactured in the state. This law was to run for three years. The law was declared void in the case of *State vs. Moore*, 50 Neb. 88 (1896), because it violated first the constitutional provision requiring appropriations to be specific and because the amount of sugar to be raised was unknown, the bounty to be paid was not definitely ascertainable. Secondly, because it violated the restriction upon appropriations, providing that they should run for not longer than the end of the quarter after the adjournment of the succeeding Legislature. Inasmuch as this appropriation ran for a three-year period, it was declared void. See also *State Ex rel vs. Norfolk Sugar Company vs. Moore*, 69 N. W. 373 (1896). In the case of *State vs. Wallichs*, 15 Neb. 457, a law providing for the transportation of prisoners back to the county in which the crime was committed for trial was held to carry with it no appropriation for traveling expenses or for a guard inasmuch as the appropriation was not definitely made in an appropriation law.

With respect, however, to the University appropriations it has been held that the trust funds held for the university, while in the nature of permanent appropriations, do not need to be bi-annually renewed as do other state appropriations, inasmuch as the state is acting in a special capacity as custodian of these funds. *State ex rel Sedwith vs. Brian*, 120 N. W. 916, (1909). Nor does money donated by the United States for the agricultural college require an appropriation by the Legislature to be available. It is in the hands of the state treasurer as a trust fund and is at no time a part of the state funds, consequently special appropriations are unnecessary. *State ex rel Spencer Lens Company vs. Searle*, 109 N. W. 770 (1906).

[87] *Wetan vs. Hertman*, 89, N. W. 384, 1902.

The university receives a portion of its support through a one mill tax. Proceeds from this tax must be paid to the university, even though collected more than three months after the close of the fiscal year. It has been held that the mill tax appropriation is a definite amount under the constitution and that the excess collected in the next fiscal year does not lapse, provided warrants have been issued for it before the end of the quarter. [88]

An effort has been made in recent years to place the normal school upon a continuing basis by a mill tax. This has not, however, as yet been done. The constitutional amendment was submitted during the last session providing for a bi-partisan board to control all state institutions, and to centralize responsibility and provide for a better accounting and government.

The governor of this state has the right to disapprove items in appropriation bills and this power has been exercised particularly when it was thought the appropriation would exceed the estimated revenue of the state. The governor is required by the constitution to account to the Legislature in his message for all moneys received and paid out from funds subject to his order and at the commencement of each regular session he must present estimates of the amount of money required to be raised by taxation for all purposes. All officers of the executive department and public institutions must report semiannually to the governor with respect to their several disbursements.

Nevada.

Appropriation measures in this state are handled in practically the same manner as are other projects of legislation. Bills for the support of state institutions are usually introduced by members from the county in which the institutions are located or by friends of the departments to be benefited. The ordinary committees of the house which deal with the appropriations, are the committee on ways and means, consisting of seven members, the committee on claims, five members and the committee on continuous expenses and accounts, five members.

The ways and means committee handles matters relative to the revenue of the state, inquires into the public debt and reports

[88] *State ex rel Sedwith vs. Searle* 112, N. W. 380, 1907. *State ex rel Sedwith vs. Brian*, 120 N. W. 916, 1909.

on matters relating to them. The committee on claims considers petitions and matters dealing with claims made against the state. The committee on continuous expenses and accounts examines the books and accounts of the several public departments and examines the laws making appropriations of money and sees that money has been appropriated only in legitimate ways and that the affairs of government have been conducted in an economical and proper manner. All bills, resolutions and other matters referred to committees must be reported back to the house for action within ten days unless the house otherwise specifies. The general appropriation bills have precedence in the house above all other projects of legislation. Appropriation bills must be considered in a committee of the whole house and no addition to appropriations may be made out of committee of the whole house.

The constitution requires appropriations to be made for the ensuing biennium only. Considerable difficulty has been experienced through this provision, inasmuch as the amount of funds available is very uncertain. This difficulty is increased because occasionally greater appropriations are authorized than can be realized from the state revenues. During the year 1912 a special session of the Legislature was necessary to reduce appriations which had been made during the session of 1911 in excess of the estimated revenue of the state. The budgetary system in this state seems wholly unsatisfactory.

New Hampshire.

During the session of 1909 the New Hampshire legislature began the system of incorporating in a general budget bill appropriations for the expenses of government for the ensuing biennium. It makes appropriations for the two ensuing years specifically, defining in some detail the purposes of the grants.

The university has made some effort to secure support upon a millage basis, but at the present time is supported by biennial grants as are the other state services. The constitution provides that all money bills shall originate in the House of Representatives and under the rules of the House the bills and joint resolutions appropriating money must be referred to the committee on appropriation for revision, consequently, it is this committee which has in charge the general budget bill.

In this state the governor has no power to veto the items of this measure..

New Jersey.

The method of handling appropriation bills in the state of New Jersey has been favorably commented upon by many students of political science because this state comes as near as any in the preparation of a single budget bill. It is, therefore, a good illustration of the actual operation of the detailed budget plan, whereby all appropriations are made annually.

The preparation of the budget in this state begins with the estimate which all departments, boards and commissions are required to file with the comptroller prior to the meeting of the Legislature. These satements are tabulated and printed by the comptroller and transmitted to the Legislature, by the time this body is organized for work. The president of the Senate and the speaker of the House appoint a joint committee on appropriations, and this committee has charge of the budget bill. Hearings are held upon the estimates of the various boards and departments before the appropriation bill is reported to the Legislature. All appropriations must find a place in one of two bills. The annual appropriation bill carries the appropriations for the support of the state for the ensuing fiscal period, and the supplementary appropriation bill contains the deficiency items from the preceding annual appropriation bill.

It is the purpose to include in the annual appropriation bill sufficient funds to carry on the state activities for the year, but in case too small appropriations are provided, a supplementary grant is provided in the supplementary bill. The appropriations for the annual appropriation bill are not available until the beginning of the next fiscal year, which opens November 1.

Inasmuch as the annual appropriation bill must contain the appropriations for all of the state services, its consideration must be delayed, pending the fate of other measures in the houses which may incidentally or directly carry appropriations which involve charges upon the state treasury. It is customary to make appropriations in the various laws creating new services, but a proviso is included in these measures specifying that no funds are to be available for any purpose unless included in the annual or supplementary appropriation bills. There is no

certainty that the full amount named in the separate bills will be included in the appropriation measures. There is a general understanding that the passage of a bill creating a state service will be followed by a sufficient sum in the annual appropriation bill to maintain that service, but inasmuch as it is sometimes necessary to reduce the sum total of appropriations, it cannot be foreseen just what amount will be provided for this service.

The budget bill is necessarily delayed until nearly the close of the session, when it is reported to the Legislature for passage. Owing to this late presentation, it is generally impossible to amend the bill in any considerable degree, and it is seldom that amendments which do not receive the assent of the joint committee on appropriations find place in the bill.

The senators are elected for three years and form a continuous body, while the assemblymen are elected annually. It is the custom for the president of the Senate to appoint to the joint committee on finance members who have had previous experience and consequently the joint committee on finance is usually a rather continuous body.

All appropriations lapse at the end of the fiscal year, except where contracts have been entered into. Bills for raising revenue must originate in the lower house. By the constitution the governor is given the right to veto items in the appropriation bills, but this veto may be overridden by a majority vote to the members of each house. Inasmuch, however, as the Legislature never really considers the appropriation bill until the closing days of the session, and adourns before the approval of the governor, his decision with respect to the items which meet his disapproval is final.

New Mexico.

The system of handling appropriation bills in this state does not differ from the method of considering other projects of Legislation. Some years ago it was customary to provide for the expense of state educational institutions upon a millage basis, but these are at present supported by biennial grants of the state Legislature.

New York.

No state has made a more determined effort than has the state of New York to place the appropriations upon a scientific basis.

Under the finance law of 1909, as amended, estimates must be submitted from all departments of the state and state institutions which receive support from the state. By the middle of October, the state comptroller submits blanks to the various departments and they are required by law to have these blanks filled out and in the hands of the comptroller by November 15. Under the operation of this law, the first year schedules requiring a classification of their estimates in some detail were submitted to the departments but subsequently the forms of blanks were changed so that they consist merely of blank sheets of paper of different colors for the different bills which are to care for the particular estimates. The appropriation laws themselves go into some detail with respect to the purpose of appropriations and these laws are used as forms for the blanks. Facts obtained in this way merely provide material for the preparation of these detailed bills and not to serve as a basis for a comprehensive examination of the requests in accordance with the original design.

The support of the state government is provided for in two general bills, the apropriation bill and the supply bill. Special bills carry other appropriations. The appropriation bill contains items covering fixed charges for the annual running expenses of the state government and estimates for these apropriations are returned on white sheets; all other items are so far as possible included in the supply bill and the estimates are returned on buff sheets. Items to be incorporated in special bills are made out on blue sheets. Re-appropriations for the same purpose as previous grants were made must be exhibited as "re-appropriations" but these must be for the same purposes as the original appropriations. Such requests for appropriations as have been disallowed by the governor, Legislature, finance committee of the Senate or ways and means committee of the Assembly must be so designated.

From these blanks, so filled out and submitted, the comptroller prepares the appropriation bills in a ministerial fashion and a tabulated statement in printed form must be prepared by December 15. This statement shows the departments of the government in their various divisions and exhibits in a horizontal line the actual expenditures during the preceding fiscal year, the legislative appropriation, and the appropriation desired of

the present Legislature, divided into salaries, maintenance expenditures, expenditures for permanent outlays and for miscellaneous purposes. These are totaled and the increases or decreases over the previous appropriations shown. Reasons to support the requests are given in additional columns. A summary of these requests is also shown in the document.

The annual report of the comptroller is issued for transmission to the Legislature when it convenes and contains a report and digest of the fiscal affairs of the governor with such recommendations as he chooses to make.

The appropriation measures are considered in the lower house by the committee on ways and means and in the Senate by the finance committee. The estimates of the departments are often seriously modified by the committees. The estimates submitted, for example, in the fall of 1910 amounted to some $52,000,000, while only about $36,000,000 was appropriated. Last year a general reduction of ten per cent was made. The committees sit separately but consider differences in a joint committee of conference.

The purposes of the appropriations are specified in some detail and appropriations are made for the fiscal year only.[89]

"No money shall ever be paid out of the treasury of this state, or any of its funds, or any of the funds under its management, except in pursuance of an appropriation by law; nor unless such payment be made within two years next after the passage of such appropriation act; and every such law making a new appropriation, or continuing or reviving an appropriation, shall distinctly specify the sum appropriated and the object to which it is to be applied; and it shall not be sufficient for such law to refer to any other law to fix such sum.

"No provision or enactment shall be embraced in the annual appropriation or supply bill, unless it relates specifically to some particular appropriation in the bill; and any such provision or enactment shall be limited in its operation to such appropriation."

"Since 1846 an article in the constitution has provided that no money shall be paid out except in pursuance of an appropriation by law; nor unless such payment be made within two years next after the passage of such appropriation act. Thus it is that the appropriations run for only two years when further payments under them are debarred by this clause of limitation. An exception to this rule is in the case of a tax imposed to provide for the interest and principal of a

[89] New York Const, (1894), article III, sections 21 and 22.

debt, in which case the tax remains in force and is irrepealable until the proceeds are sufficient to discharge the debt. The Legislature has power to cut off a service by withholding an appropriation and this power has been frequently used in connection with the construction of public buildings. In 1872 the Private Charity Bill, carrying an appropriation of over one million dollars, was not passed owing to the heavy tax burdens and the desire to economize.

"Down to 1902 a mill tax was imposed for the purpose of providing for the support of educational institutions. This mill or fraction of mill, as the case might be, was added to the other tax rates for general purposes, canals or public buildings and the total constituted the total tax rate for state purposes. This method worked quite successfully but it is difficult to see that anything was gained by separating the rate or the receipts therefrom. With the separation of state and local revenues and the dependence of the state upon so-called indirect taxes, such as excise, corporation, mortgage and inheritance taxes, etc., the direct tax on general property has been discontinued in some years and the payments to educational institutions have been included among the items of the annual appropriation bill." [90]

Since 1874 the governor has had the power of vetoing specific items in the appropriation bills.[91] This power has been used chiefly with respect to appropriations providing for the construction of new buildings, bridges, etc., or for additions to existing structures. In 1910 Governor Hughes vetoed about $5,000,000 from the money bills and in 1911 Governor Dix vetoed about $5,500,000.

In determining the amounts of the various appropriation bills, little attempt seems to be made to correlate the estimated expenditures and revenues. It is the policy of the state to carry a surplus of between four and five millions and it is usually assumed that revenue will be available for all needful purposes. Owing to the segregation of state and local revenue, the state receives little of its support from direct taxes. The comptroller is authorized to make such temporary loans as are necessary at interest rates not exceeding five per cent to meet the legal demands on the treasury and may issue bonds in anticipation of taxes not to exceed $6,000,000 in one year, payable in six months and at the lowest obtainable rate of in-

[90] Quoted from a letter from Don C. Sowers, New York City.

[91] For a discussion of the incorporation of this feature see *Lincoln's Const. Hist. of N. Y.*, Vol. II, pp. 339, 519.

terest. The proceeds of these bonds are applicable only for the current expenses of the government. The state treasurer must publish in the state paper by the tenth of each month a detailed statement of the balances in the state depositing bank. A monthly balance sheet is also published showing the fiscal condition of the state upon date of issuance.

Under the finance law above referred to, the comptroller is required to prepare forms of accounts to be observed by the state institutions, boards and commissioners. These institutions, boards and commissions are required to render monthly reports to the comptroller treating the fiscal affairs of their departments.

North Carolina.

The biennial report of the state treasurer shows in a rough form the amount of revenue which is available for the next two years and the demands which will probably be made upon the treasury during this period. All bills appropriating money are referred to the committee on appropriations in the respective houses. The appropriation bill is one of the last acted upon during the session and is reported after the tax levy has been made by special bill and information has been received from the state treasury as to the amount of money that will be available. It is frequently necessary for the committee to materially modify its estimates on appropriations in order to have the appropriations fall within the state's income. The tendency is constantly to appripriate more funds than can be realized under the tax levy.

Appropriations determined upon by the committee are sometimes changed by the Legislature itself, but this is reported to be an infrequent occurrence, due largely to the lateness of the time in which the appropriation bills are reported. The major part of appropriations for state departments and institutions are made in a few bills containing authorizations for the biennial period only. Some appropriations, however, are made for a one year period and some for a period longer than two years. The general rule, however, is for them to run for two year periods.

Not only has the governor no right of vetoing items in appropriation bills in this state, but this is the only state in the Union where the chief executive is without veto power at all. The

books of the treasurer, insurance commissioner, and auditor are required by law to be closed by the 30th of November and to be examined in December by a board of commissioners consisting of two senators and three representatives appointed by the general assembly.

North Dakota.

Bills providing for appropriations are introduced and acted on in much the same manner as other general laws. Each branch of the Legislative Assembly has its appropriation committee to which are referred the appropriation bills. These bills are usually introduced during the session by some member from the district or locality in which institutions to be supported are located, or by some one in close touch with the departments to be benefited.

There is a committee on ways and means consisting of fifteen members in the lower branch and eleven members in the Senate. The committee on appropriations in each house consists of seventeen members. The estimates for the different departments are contained in a crude form in the annual or biennial reports of the different departments and institutions which include requests and statements of need for the ensuing fiscal year. These reports are made to the governor and in some cases to the state auditor, and through them are reported to the Legislative Assembly. These plans are at fault, however, inasmuch as they are not primarily prepared for budgetary purposes, nor do they conform to any uniform plan or arrangement. Thirdly, they are submitted not as a uniform document, but as separate reports and frequently are available only toward the close of the session.

As a general thing requests for appropriations are made large in order to allow for an expected decrease without materially crippling the work of the institution. The estimates are not based upon any actual survey of the department's needs by a competent body.

The constitution prohibits the introduction of bills for appropriations of money (except expenses of government) after the fortieth day of the session, except by the unanimous consent of the house in which it is sought to be introduced. When the appropriation bills have been introduced, it is customary for the appropriation committees of the two houses to sit together and

come to a joint understanding with respect to their recommendations. The constitution contemplates a general appropriation bill for the executive, legislative and judicial departments, interest on the public debt and state public schools. Other appropriations are required to be made by separate and independent bills. This feature has not been carried out in actual practice, however, and the general appropriation bill has not been made to cover generally the expense of maintaining state government.

No uniform plan is in force in the state with respect to continuing appropriations, owing to the unsystematic manner in which appropriation measures are considered. Those needing state support are particularly desirous of having their sustenance provided for by permanent law and many departments have secured such enactments. A great many appropriations are made by separate bills, usually very short. University and normal schools are supported by mill taxes, by incomes from the rent of land, by sales of university land and by a few miscellaneous continuing grants. A large part of their appropriations are, however, of an indefinite character determined each biennium. The last Legislature created an auditing board consisting of the governor, auditor, attorney-general, treasurer, and secretary of state. The last three of these officials are required to audit the books of the state each biennium. How valuable this board will prove in actual practice remains to be seen.

The governor in this state is given the power to veto items in appropriation bills and this power has been exercised quite frequently and not always with satisfactory results.[92]

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[92] An interesting comment upon the use of the veto power is to be found in the message of Governor Burke, January 4th, 1912, in which he comments upon the use of the veto power made by him during the eleventh legislative assembly.

"Bills of the appropriations made by the legislature," he declares, "reached the governor's office early in the session and were signed as a matter of course, the constitution prohibiting the governor holding a bill more than three days without his signature. Assuming that the legislature would not exceed the revenues of the state in their appropriations these bills were signed as a matter of course and when the general appropriation bill was submitted late in the session, it was discovered that more money had been appropriated than the state had provided and it was necessary to cut appropriations down to make the revenues and appropriations approximately balance. Inasmuch as his veto power extended only to items in bills which had not been signed, it was necessary to restrict this right to the appropriation bills,

The question of placing this state upon a scientific budgetary basis has been undertaken by the state tax commission and a study is now being made for a report upon this subject at the next session of the Legislature.

Ohio.

There is nothing in the Ohio Legislature which corresponds even in a rough way to budgetary practices. Appropriation bills usually take their origin in the house committee on finance and except that appropriation measures must be reported to the finance committee in each house, the procedure is practically the same as upon other projects of legislation.

When there were annual sessions of the Ohio Legislature, the finance committees usually visited the institutions during the

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the less important pieces of legislation having already received his approval."

Consequently it was the more important state services which had to suffer in an attempt to balance the income and expenditures of the state rather than the less important services which had been cared for in the general bill. This illustrates not only the lack of budgetary plan in the consideration of appropriation measures by the Legislature, but also the fact that the Legislature is accustomed to place the responsibility upon the governor of reducing appropriations to meet the estimated income of the state. A similar situation occurred during the administration of Governor Allin in 1895. The preceding administration had incurred an indebtedness to the extent of $138,000 and the state treasury was depleted. The governor strongly urged upon the Legislature both by message and personal appeal the imperative necessity for the strictest economy with respect to all appropriations in order to restore the treasury to a state of solvency. Little heed was paid to these admonitions, however, and upon the last day of the session the appropriation bills for the public institutions were presented which exceeded by many hundred thousand dollars the probable revenue of the state. There was thus placed on the executive's shoulders the entire responsibility for reducing the expenditures to meet estimated income. Inasmuch as the appropriation for the insane asylums and various other institutions were absolutely imperative in order that they might be maintained, little reduction was possible and all educational institutions were made to bear the brunt of the curtailments.

This act came very near to ending the life of a number of the institutions and it was particularly severe, inasmuch as many of these institutions were wholly dependent at that time upon the biennial grant. These institutions were, however, kept alive until further appropriations were available by an appeal to local, industrial and other privately raised funds.

summer to investigate their needs, and it is still customary to appoint a junket committee.

Appropriations are made in many different bills and the purposes of appropriations are specified with comparative minuteness. Oftentimes the same institution is supported by a number of different bills. The finance committees usually employ a clerk to aid them in digesting the requests for appropriations and frequently an expert accountant is chosen for this position.

The last General Assembly placed all the state institutions under one central board and in the future requisitions must be made through this agency. The constitution prohibits the appropriations running for a period longer than two years but mill taxes are provided for the support of the four state educational institutions, the State University at Columbus, the University at Athens, Miami University and Wilberforce University. The Ohio University receives four one-hundredths of a mill tax netting them about $100,000. The Ohio State University receives sixteen one-hundredths of a mill tax, netting them about $400,000, the Miami University seven two-hundredths of a mill tax, netting them about $100,000 and the Wilberforce University receives about $25,000. There is a state normal school connected with the Ohio University and one connected with the Miami University. Biennial appropriations are made to each of these institutions amounting to about the sum received from the mill tax. In accordance with the Senate rules a separate vote may be had on items of any appropriation bill, upon the demand of five senators. The governor is given the power of vetoing specific items in appropriation bills, but this power has not been frequently exercised.

Oklahoma.

There is probably no state in which the constitutional requirements for a biennial budget coupled with the power of veto in the hands of the governor result in the subjection of the appropriations to so great political manipulation. The constitution contemplates that there shall be a general appropriation bill to embrace nothing but appropriations for the expenses of the executive, legislative and judicial departments and for in-

terest on the public debt. The salary of no officer or employe is to be increased by such bill, nor are appropriations to be made in it for any officer or employe who is employed and the amount of whose salary is not already provided for by law. Other appropriations must be made by separate bills embracing but one subject. No general budget is drafted, however, except in the case of the state institutions which are under the supervision of the state board of education. These prepare and submit estimates of the needs of these institutions. This board is required by statute to sit in conjunction with the state board of affairs and prepare a budget for these various institutions. The state auditor submits estimates to the Legislature which have been submitted to him by the various state boards and heads of the different institutions and departments, which are referred to the appropriation committee of either the House or the Senate.

Representatives of these institutions and departments appear before these committees and argue their needs. The constitution prohibits the Legislature from making appropriations which will run for more than two and one-half years from the time the appropriation is made.

The general appropriation bill is made out in great detail, specifying the purposes for each of the years provided for. Other appropriations are made in separate acts. When the bills are finally made up and reported from the committee, there are usually few amendments offered. It has been customary in this state to insure the passage of this act by incorporating in it items which will meet the favor or the various members of the Legislature and trust the governor to veto the items in such a manner as he sees fit. The power of the governor to veto has been greatly abused, both by the Legislature in the submission of the general appropriation bill to the executive placing the responsibility upon him of making out the actual budget, and in the way this power has been exercised by the executive himself.[93]

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[93] The extent to which the governor has been willing to go in this state in vetoing items is illustrated by the case of *Regents of the University vs. Trapp*, 28, Oklahoma, 83, 1911 when the right of Governor Haskell to reduce items in the university appropriation bill was denied and the entire act declared void. This act appropriated in the first section, the sum of $285,810.23 for the support of the university for the biennial period beginning July 1st, 1909. In the second section the

All bills for raising revenue are required to originate in the lower house and no revenue bills may be passed during the last five days of the session. The state examiner and inspector are required to examine the books of the state officers once each year, and of the county officers upon the request of five hundred and twenty of the citizens of the county. They must further examine the bookkeeping methods in the state institutions and report to the governor on the financial condition of these institutions by the first of November. The state examiner is a constitutional officer elected for a period of four years.

Oregon.

The constitution of Oregon and the principles upon which its governmental institutions have been founded are very similar to those in the state of Wisconsin. It was the evident contemplation that the secretary of state should prepare some form of a budget and the first law organizing his office required him to suggest plans for the improvement and enlargement of the public revenues and report to the Legislature, at the commencement of the regular session, a general statement of the fiscal condition of the state. This mandate has been complied with, however, in but the usual manner. The biennial report has included an estimate of funds of the various departments and institutions based merely upon previous appropriations for like services.

These estimates have been entirely clerical in character and involve no actual analysis of the needs of the various state services. The Legislature of 1909 provided for a joint hold-over

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apportionment of the appropriation was made in great detail and for each of the years specifically. Among the items included in this section were, for thirty-four professors drawing from $1,500 to $2,500, $55,750. This the governor proposed to reduce to $48,450. Fourteen associate professors, drawing from $1,250 to $2,000, $19,250. This the governor proposed to reduce to $14,250. Fifteen instructors from $800 to $1,000, $13,500, which the governor proposed to reduce to $5,500. It was proposed to reduce other specified items in like detail. The court held, however, that the appropriation had been made in the first section and that the action of the governor with respect to the second section was beyond his authority. The court held that the constitutional provision that the governor might disapprove any item of a bill making appropriations of money embracing distinct items, did not apply to a specific bill containing only details of one and the same appropriation and that the act of the governor approving the bill in part only was null and that the act itself, not having been approved by the governor as provided by the constitution, never became a law.

committee to prepare a budget for the institutions located at the capital.[94] This arrangement was continued by the Legislature of 1911 by a house concurrent resolution providing that a tabulated statement of bills providing special appropriations and continuing appropriations, and increasing appropriations made by former Legislatures, should be provided for by the ways and means committee and printed for use of the joint committee on ways and means. The statement was also to contain estimates of the income for the ensuing biennial period. This report was to be presented to the Legislature before any bill carrying appropriations was to be reported. The date was set after which no bills were to be introduced in either house without the consent of two-thirds of the members.

It is contemplated that the governor will request in September, estimates from the different state institutions of their needs, with a view of using these in the preparation of the state budget at the next session of the Legislature.

Appropriations are usually made in a number of separate bills. Some of the appropriations are made for the ensuing biennium only, while others run until specifically repealed. There seems to be no uniform practice in this respect. Considerable difficulty has been experienced in this state regarding the financing of state institutions, particularly the educational institutions, because of the exercise of the initiative and a referendum. A few years ago Oregon had four state normal schools which had been largely developed and conducted through the familiar log-rolling tactics. They had no continuing appropriations and apparently because of the accusations against their lobbying methods, the Legislature cut them all off. Later the oldest was revived by initiative and a tax of one-twenty-fifth of a mill was levied for its support. The other institutions have not been revived. Some years ago the university had a mill tax for its support, but for the past five years it has received a continuing appropriation of about $125,000. Seven years ago the university appropriations, along with the other state appropriations, were held up by referendum petitions and although the appropriations were granted by the people at the general election, five per cent of the electorate were able to deprive the university of its support from the time

[94] *Laws of Oregon*, 1909, page 492.

the legislative grant might have been available until the general election a year from the following November.

Two years later the university appropriations were again held up for a two year period in the same way and at the next session, fearing a similar course, the university made no request for grants above the amount already provided. The need for support became so great, however, at the last session that additional support was granted. But referendum petitions again suspended the operation of the law until the next general election (1912) when the increase of the grant was defeated. The constitution provides that bills for raising revenue must originate in the House of Representatives and bills making appropriations for the salaries of public officers and the current expenses of the state must contain provisions on no other subjects.

Pennsylvania.

The constitution of this state contemplates a general appropriation bill which may embrace nothing but appropriations for the ordinary expenses of the executive, legislative and judicial departments of the commonwealth, interest on the public debt and for the public schools. All other appropriations must be made by separate bills embracing but one subject.

Under the rules of the Senate no bills appropriating money for charitable or benevolent purposes may be considered until the general appropriation bill is reported from the committee. It is customary to make appropriations for the biennial period specifically, but itemization is not carried so far in this state as in some others. Indeed, the inaugural message of Governor Edwin Stewart in 1909 recommends the passage of a law prohibiting the payment of money from the state treasury until the purpose of the expenditure is very definitely set forth.

The general appropriation bill is quite lengthy, constituting some eighty pages of the statutes. Other appropriations are made by separate bills. Appropriations may not be made to charitable or educational institutions not under the absolute control of the state, except by a vote of two-thirds of the members elected to each house. The governor is given the right of disapproving items in appropriation bills and this power has been exercised very freely.

In the message of Governor Stewart above referred to, criticism was directed toward the practice of appropriating more money than the treasury of the state could afford, placing the responsibility upon the executive of vetoing items to make appropriations fall within the estimated revenue. It was in this state that the practice arose of allowing the governor not only to veto specifically appropriation items, but to reduce their amount. This practice received the sanction of the supreme court, upon the theory that the power to cut off entirely an appropriation, included the power to cut off a part of it.[95]

The educational institutions of this state receive biennial appropriations and it is very difficult for them to determine how much these appropriations will be or how seriously their estimates will be cut. Cuts of seventy-five per cent and fifty per cent in estimated appropriations have not been uncommon and serious difficulty has been experienced in planning for the future because of the uncertainty of future grants. Revenue bills must originate in the lower house.

Rhode Island.

Most of the appropriations for the support of the state government are made in the state appropriation bill, and run for a period of one year, inasmuch as annual sessions are held in this state. This bill is prepared by the state treasurer who is required by law to submit by the 20th of January the annual appropriation bill showing as nearly as possible the state expenditures which will be required and the estimated revenues from which these may be defrayed. This bill is submitted to the House committee on finance where hearings are held upon it, and after passage by the lower chamber, it is submitted to the Senate where it is referred in a similar manner to the Senate committee.

Legislative rules provide that all bills containing more than one section must be passed upon by sections at the request of any member. It is usual to pass the appropriation bill by sections, any section upon which discussion will ensue being deferred for later consideration, and those upon which there is no division of opinion being first submitted. It is unusual to have the general appropriation bill modified to any extent after being

[95] *Commonwealth vs. Barnett*, 199 Pa. 161.

determined upon in committee. There are continuing appropriations in this state aggregating some $500,000 annually.

The Rhode Island State College receives an annual appropriation of $25,000 which must be voted each year. Under the rules of the Legislature no bills or resolutions may be considered by the General Assembly except by unanimous consent of the house where introduced, unless they have been presented by the fifty-second day of the session and placed upon the calendar before the fifty-sixth day.

South Carolina.

In this state the heads of departments and of institutions are required to file a report of previous appropriations and requests for the next fiscal year. The controller must tabulate these and send them to the General Assembly by the second day of January and also present copies of these statements to the committees on finance and ways and means.[96]

The constitution provides that all bills for raising revenue must originate in the lower house, and this has been construed to include appropriation bills as well. The general supply bill contains the tax levy necessary for the maintenance of the county government and institutions in each county. It is passed as a state law, but the amount is determined by the controller general and the local representatives. This bill, is, however, frequently amended upon the floors of the houses.

The general appropriation bill contains the levy for state purposes and directs the disbursement of the fund raised. Salaries of all state officials, appropriations for higher educational institutions, continuing funds of state officers, are provided for in this bill. The bill runs for a definite term, contains a great many items and specifies with great minuteness the purposes of the appropriations. There is the usual provision, however, for the contingent fund in the various departments. The treasurer is allowed to borrow an amount, $600,000, in anticipation of taxes. This bill is usually prepared by the finance committee in the House and is at times very stubbornly contested in the House, particularly with reference to the appropriations for educational institutions. The general appropriation bill is not, however, usually modified to any great extent upon the floor of

[96] Laws of 1911, p. 224.

the House. Upon the third reading of this bill the chairman of the ways and means committee is the only person who may offer amendments.

When this bill has passed the lower house, it is sent to the Senate where it undergoes similar consideration on the part of the committee on finance. Disagreements between the two houses are adjusted by a committee on conference, which consists of three members from each house appointed by the presiding officers of the respective houses. As a rule, the personnel of this committee is determined by the chairmen of the respective finance committees and when reported back the bill is unamendable. The report of the committee may be rejected or accepted, but it may not be changed. It takes a majority from each branch to accept or reject any amendment or make any change in the original bill. For example, three members from the house and one member from the senate could not make any change, but two members from each branch could change the bill in any particular. It is thus apparent that the chairmen of the respective finance committees have very complete control over the appropriation measures in the house.

There are four colleges, the University, the Citadel, Winthrop College for Women, and Clemson College. The three former institutions are supported by annual appropriations, while the last receives an income from a special inspector's tax.

The constitution gives the governor the power of vetoing items in appropriation bills, but until the present incumbent entered office the power had never been exercised. Last year the governor vetoed twenty-five items and was sustained by the Legislature. In 1912, thirty-one items were vetoed, but the houses overruled him on practically all of them by a two-third vote.

South Dakota.

The constitution of this state provides for a general appropriation bill which shall embrace nothing but appropriations for the ordinary expenses of the executive, legislative and judicial departments of the state, the current expenses of the state institutions, interest on the public debt and for the common schools.

This appropriation may be passed by a majority vote in each house of the legislature. All other appropriations must be

made by separate bills, each embracing but one subject and a two-third vote of all members of each branch is required for their passage. The only estimates which are submitted to the Legislature are those of the state board of charities and corrections, which has charge of the penal and charitable institutions of the state and of the board of regents and a few other boards and commissions. These reports are used by the Senate and House committees on appropriation in making up their bills. Both houses and appropriation committees work independently, but hold many meetings in common and keep a general account of the measures pending in the two committees. All bills for new buildings and new construction must be made in separate acts and require the additional votes mentioned. Appropriation bills are frequently amended upon the floors of the Legislature and the appropriation bill is voted upon item by item, it being customary to have the bill read by the speaker and after each item is read, a vote taken upon it.

It is customary to make all appropriations biennially and it is the belief of a number of lawyers that this is made mandatory by article twelve of the constitution. There are a few unimportant matters, however, involved, and a few continuing appropriations have been made and allowed by the auditing departments, although they have not been tested by the courts. Appropriations of this character are for wolf bounties and for farmers' institutes. There is little possibility under this system for correlating estimated income with the expenditures, though an attempt is made to do this by the joint committee on finance.

Institutions are looked upon as of local rather than of state importance and it is customary for the members coming from counties having institutions to combine to secure the appropriations for these institutions and to be opposed by the combination of members from districts without institutions. Under such a system an appropriation which will meet the actual needs of state services is entirely impossible.

Experience in this state has illustrated what frequently occurs when appropriations for state institutions and departments must be subject to biennial renewal, especially when they are located in various parts of the state and must look to their local representatives for aid. In 1895 the state university was seriously crippled because the representatives of the county in

which the institution was located refused to make certain political contributions. Somewhat later a representative coming from the county in which a normal school was located refused to support an election measure which resulted in a decrease in the appropriation for this institution from which the school has hardly yet recovered.

The governor is given the right in this state to veto items, but this power has seldom been exercised. The board of examiners, one of whom must be a public accountant, must be appointed by the governor with the approval of the Senate for a period of two years. These are required to examine the public institutions of the state and install a uniform system of accounts. They are also required to examine the banks of the state. An itemized statement of all receipts and expenditures must be published annually and such statements are required to be submitted to the Legislature by the governor with his message at the beginning of each regular session.

Tennessee.

Appropriation bills in Tennessee are cared for practically as are other measures. A general appropriation bill carries the expenses of the state for the ensuing biennium and specifies in in great detail the purposes of the grant. There is a legislative appropriation bill also, taking care of the expenses for this branch of the government. These bills are introduced late in the session.

There are a few scattering appropriations and other bills, a few of them being continuing. Twenty-five per cent of the state revenue goes to the educational fund; thirteen per cent of this goes to the normal schools and seven per cent to the University of Tennessee.[97]

Texas.

The constitution of Texas prohibits appropriations for a period longer than two years. Most of the appropriations

[97] In the case of *State ex rel Noonan vs. King*, 67 S. W. (Tenn.) 812, 1902, it was held that a law creating the office of factory inspector and fixing the salary was an appropriation, although not included the next year in the general appropriation bill, and although the general appropriation law forbade the comptroller drawing warrants for other items than those contained in the general appropriation bill in law. The court held that the statute creating the office was an appropriation "in law."

for the support of the state government are provided for in a general appropriation bill which specifies in some detail the purposes for which the grant may be used. Other appropriations are taken care of in separate acts. The general appropriation bill deals with some sixty departments and institutions and is generally introduced in skeleton form early in the regular session and worked over by the committee in charge in the House and Senate until finally passed.

With so many departments and institutions to examine, and with the data submitted only after the legislature convenes, it is impossible to give the appropriation bills the study they deserve. It has, consequently, been customary to have sub-committees of the finance committee of each house examine the various institutions and report upon their needs. The conclusions which these sub-committees reach are practically final.

As far as the educational institutions are concerned, the system of biennial appropriations has resulted in great inconvenience to them, inasmuch as the fiscal year is nearly to a close before they can determine their available funds for the ensuing biennium. It is, therefore, impossible for them to secure their force until too late to make advantageous arrangements. With respect to their appropriations for permanent improvements, such as buildings, the constitution expressly prohibits appropriations for the construction of university buildings and these are possible only by using such maintenance funds as have been provided in federal grants.

The constitution allows the governor to veto items in the appropriation bill and this right has been frequently exercised. It has been maintained that the veto power of the governor has often been exercised because of partisan influence and questions of appropriations for the state institutions are frequently brought into the political campaigns. The system of annual appropriations, combined with the governor's veto, has hampered materially higher education in this state. The governor's veto of appropriations for buildings for the agricultural and mechanical arts college necessitated the housing of students in tents for some time and it has frequently been necessary because of constitutional prohibitions upon the construction of university buildings to erect temporary wooden structures in place of permanent and satisfactory buildings.

The general appropriation bill is usually about the last bill to receive the sanction of the Legislature and inasmuch as a two-thirds vote is required to override the governor's veto, his decision with respect to it is practically final.

By a law of 1907, the governor, secretary of state, and chairman of the railroad commission were constituted a board to hire an accounting firm to make complete investigation of accounts for state departments and install new systems where possible. Ten thousand dollars was appropriated for this purpose.

Utah.

There is very little in this state that approaches a budget plan. The different state institutions hand a report to the governor stating their needs for the following two years and these are forwarded to the Legislature by message with general recommendations with reference to them. There is no single committee in the Legislature charged with the formation of a budget, but toward the end of the session the committee on appropriations in the House and Senate meet jointly and draw up an appropriation bill, after holding hearings upon the various items to be contained in it. The general appropriation bill provides for the departments of government and most of the state institutions, and is usually amended a number of times and sent back and forth between the houses. Separate appropriation bills take care of other services.

No bill may be introduced after the thirtieth day of the session except by a committee. There are a few laws in this state providing for continuing appropriations, but they are, as a rule, unimportant, with the exception of the appropriation for higher education. By a law of 1911, twenty-eight per cent of the state revenue was set aside for the state university, branch normal school, and the agricultural college; in the percentage of sixty-four and forty-three hundredths to the first, seven and twenty-three hundredths to the second and twenty-eight and thirty-four hundredths to the third. This step was taken after a series of unfortunate experiences due to the lack of permanancy in the support of these institutions and in the hope that the lobbying methods and the rivalry between these institutions would thus be lessened. At one time the University of Utah had to depend upon the generosity of its friends, other-

wise its doors might have been closed because of the smallness of the appropriation.

The percentages mentioned are for maintenance only, construction and repairs being provided in other legislation. The governor and the secretary of state have frequently been placed upon the governing boards of the various state institutions and in this way the administration has been kept in close touch with the work of these various branches. The governor is given the power in this state of vetoing items in appropriation bills and this power has been used quite frequently.

One of the most important objects of appropriation in this state has been the question of grants for the construction of roads and bridges, it being customary to grant state aid for these purposes. It will be readily seen that this is a subject readily lending itself to trades and combinations and it has been customary to distribute these grants geographically rather than in accordance with the needs of these different localities. Log-rolling tendencies have manifested themselves and it has been necessary to provide for bridges in various localities in order to secure the votes of these representatives for the general appropriation bill. It is customary, however, to provide for these bridges in separate bills wherever possible. This tendency has resulted in placing large sums in the general apropriation bill and in separate acts in order to secure the votes of the various representatives and the veto of the governor has been relied upon to reduce these amounts to conform to the income of the state. It is apparent at once that this gives enormous power to the governor over all pending legislation, inasmuch as he can reward the members for their support of his measures or penalize them by vetoing appropriations that they have secured for their constituents.

The constitution prohibits appropriations or expenditures which will exceed the total income of the state unless a special tax is made to provide the necessary revenue. The legislature frequently incorporates in the appropriation bill a section providing in substance that any of the certain classes of appropriations mentioned therein may be withheld temporarily by the governor after his approval of the act, if in his opinion the condition of the treasury will not warrant the expenditure of the appropriation, and that such appropriations are not to be available until

the governor notifies the auditor in writing. This amounts in effect to a temporary or supensive veto power. It will thus be seen that the chief executive has virtual control of the appropriations in this state and through them of a large part of the legislation of each session.

Vermont.

There is nothing in this state which approaches budgetary methods, finance bills being considered in the same manner as other measures. There are two committees in each house which deal with state finance. In the House of Representatives these committees are the ways and means and the appropriation committees and in the Senate, the committees on appropriations and on finance. The constitution requires revenue bills to originate in the lower house and these are formulated by the committee on ways and means. The state treasurer is required by law to communicate to the governor or to either branch of the legislature, upon request, such information as is desired as to state revenues. It is customary for the ways and means committee of the House to sit with him and the state auditor and the commissioner of taxes in handling revenue measures. Frequently joint sessions are held with the House committee on appropriations at which time a crude budget is formulated. Appropriation bills may originate in either house and are introduced and considered as are other bills. The House committee on appropriations holds all appropriation bills, whether of House or Senate origin, until nearly the close of the session before reporting them out. Under the rules of the Legislature no bills may be introduced after the first Tuesday in November, except by unanimous consent of the members present. In this state the Legislature convenes the first Wednesday in October. In actual practice, however, unanimous consent is easily secured for the introduction of bills at a later period.

There is no uniform rule with respect to annual and continued appropriations. The biennial plan is the most usual, but many appropriations are allowed to run until specifically repealed. The large appropriations of this character are for highways and education, the unexpended balance of each of these being carried to the appropriation for the next year. The appropriations for executive work in the administration of justice are voted each

session, but there are continued appropriations to meet shortages in appropriations for these purposes.

Virginia.

The Legislature in the state of Virginia meets biennially. The House of Delegates is elected for two years and the Senate four years, all of the Senate members being elected at the same election. Four years ago, by resolution of the Senate, the Senate finance committee convened thirty days before the meeting of the Legislature and received reports from the state institutions and others as to their needs and requirements. As the legislative session is limited by the constitution to sixty days, this course proved of material assistance in making out the appropriations. Representatives of the various institutions of the state and of the state departments appeared before the committee in question and made their requests. This can only be done in the Senate, however, and then but once in four years, because the lower house is a new body every two years and the Senate a new body every four years.

Provision has been made for a similar meeting at the next session of the Legislature.

Finance bills are taken care of in the separate committees of the two houses, but they are accustomed to act jointly before making their reports. In the main, the recommendations of the committees are adopted, although frequently subject to serious modifications upon the floors of the houses.

The budget bill is prepared in two parts, one part for each year. The constitution prohibits appropriations for a longer period than two years. At the 1910 session of the Legislature, a commission consisting of the president of the University of Virginia, the speaker of the House of Delegates, the superintendent of public instruction, the president of the normal school, the chancellor of Randolph-Macon College, a representative from a medical college of Virginia, and a state senator, was appointed to study the question of support for the educational institutions of the state, by placing them on a millage basis. They recommended a permanent system of support, perferably the mill tax.

The governor is given, by the constitution, the power to veto items, but it is a power that has been rarely exercised. This

provision varies from the usual right of vetoing items inasmuch as his recommendations may be sent to both houses of the Legislature and if by a majority vote of the members present in each house they agree to amend the bill in accordance with the recommendations, or if either house fails or refuses to amend it the bill is sent again to him and he may act upon it as though it were presented for the first time.

The constitution also provides for an auditor of public accounts to be elected by the joint vote of the two houses for a term of four years. He is required by law to establish accounting systems for the state institutions and to scrutinize their accounts and vouchers.

Washington.

The constitution in this state prohibits appropriations which will run for a period longer than two years. The estimates for state appropriations are presented by each department to the appropriation committee of the Senate which after thoroughly digesting the requests confers with the committee of the lower house. Together they reach a conclusion with respect to the various requests.

The general appropriation bill carries authorizations for the support of the state government. Other grants for state services are provided in the miscellaneous appropriation bills and in a number of independent acts. Balances at the end of the fiscal period revert to the treasury.

At the last session of the Legislature an act was passed calculated to put upon a more permanent basis appropriations for the support of the educational institutions. An educational fund was created, to be supported by a levy of 1.05 mills, available in 1913. This income is to be divided among the educational institutions in the state in the proportion of forty-seven and one-half one-hundredths for the state university, thirty-two and one-half one-hundredths for the state college (agricultural), nine one-hundredths for Cheney Normal School, seven one-hundredths for Ellensburg Normal School and nine one-hundredths for Bellingham Normal. The act provides that in January, 1916, the governor shall, upon the request of the president of any of the institutions receiving the benefit of this tax, appoint a committee of five members to investigate

the reasons for changing the levy provided for and report in time for action by the Legislature in 1917. This fund, however, will have to be re-appropriated at each session by the Legislature in order to meet the constitutional inhibition against a permanent appropriation. It is proposed, however, that this will be a measure of appropriation and consequently will give the grants for these institutions a certain permanency.

The Legislature of 1909 created a bureau of inspection and supervision of public offices to work under the state auditor who is to be ex officio chief of the bureau. It is the duty of this board to install uniform systems of accounting in the various state institutions, public services, industries, etc., to conduct an audit of county fiscal affairs at the expense of the various counties, to inspect the school districts in the state, the townships, incorporated cities and villages, building and loan associations and the state buildings and state offices. For this work some forty or fifty field examiners are employed. Irregularity or malfeasance in office is to be reported to the attorney-general who is required to bring suit within thirty days for the recovery of money lost to taxing districts. Public officers are required to keep their accounts in the manner outlined by this bureau.

West Virginia.

The constitution of this state requires appropriations for the payment of members and officers of the Legislature and of the government, to be made in bills which contain provisions for no other object. Besides this there is a budget bill which contains appropriations for the various state departments and institutions and runs for a period of two years. The educational institutions are provided for in this manner. Institutions in this state have been seriously hampered by the fact that their appropriations were not permanent and their policies have been subject to frequent control because of the fact that their appropriations were but temporary. The tax commission is required to establish bookkeeping systems for the various state departments and those which handle public funds.

In this state the governor is given the power to veto items in the appropriation bill, but it requires but a majority of each house to pass these appropriations over his veto.

Wisconsin.

Heretofore there has been little attempt made in this state to prepare a budget. It is true law requires the secretary of state to submit to the Legislature estimates of needed appropriations for the next biennium, to report the expenditures for the last two calendar years, and to state the condition of the state treasury. This report is, however, of comparatively little value. The estimates are not based upon requests from the various departments, but are merely recitations of previous grants for similar purposes and the opinion of this official as to the future needs for these respective services. Inasmuch as the report is based upon the calendar year, while the fiscal year begins July 1, the report is of little service for comparative purposes.

The appropriations in this state are entirely lacking in uniformity. Bills carrying appropriations are introduced as are other projects of Legislation and are referred to the committees in the respective houses dealing with the subject matter of the bill. The most valuable feature of the Wisconsin system, however, consists in the joint committee on finance, to which all finance measures are reported after having been acted upon by the committee dealing with the subject matter of the bill. Both appropriation and revenue measures come ultimately in this way to the joint committee on finance. The committee is in a position to estimate, with the aid of the tax commission, the amount of revenue which will accrue during a fiscal period and to base its recommendations upon this information.

It has been customary to report the bills from the finance committee separately and each bill has been considered upon its merits with but little regard to the other demands upon the state treasury or upon the resources available for payment. It is the usual practice to have the finance committee issue a pamphlet regarding the appropriation measures before it and stating the amounts which they carry.

Last year a great advance was made with respect to the appropriation bills by the employment of expert accountants to assist the committee in its work. Blanks for estimates were prepared and sent to the various departments and institutions, asking them to state thereon their needs for the ensuing fiscal period. These were then tabulated and presented to the commit-

tee. An attempt was made to delay action upon all fiscal matters until the committee had come to a conclusion with respect to its report upon all pending measures. They were not, however, fully successful in this effort.

In pursuance of the law creating the Board of Public Affairs, all departments are required to submit estimates of their needs to this Board thirty days before the regular session. In this way it is hoped that all this material will be prepared and tabulated for the use of the Legislature before it convenes.

No uniformity is found with respect to the form of the appropriation bills. Some appropriation measures run for the biennium; some, especially those dealing with new construction, for a specified period of years, and the greater part of them run, by virtue of permanent statutes, until specifically repealed. With respect to the definiteness in the amount of appropriations there is like variation. Some appropriations specify definitely the amount to be used; others state a maximum, and some are unlimited in amount, the statutes authorizing the payment of a sum sufficient to carry out the purposes of the law. This, according to the interpretation of the attorney-general, constitutes a legal appropriation. Besides this there is a statute authorizing the secretary of state to issue warrants in payments of grants wherever the statutes authorize expenditures to be made.[98] This makes it impossible to determine with any definiteness what appropriations are authorized for the various departments, inasmuch as statutes fixing salaries or allowing traveling expenses are under the law considered appropriations.

In this state the governor has no power to veto items in appropriation bills, but inasmuch as appropriations are usually submitted in separate acts, he has power to cut off practically any grant.

The university and the normal schools are supported by mill taxes and it is customary to support all institutions and departments of the government which are of a permanent character by statutes which run until specifically repealed. Probably no other state has gone so far in the enactment of continuing appropriations.

[98] Section 172.

Wyoming.

There is nothing in this state which approaches a budget system. Appropriation bills are reported by the joint committee on ways and means. Appropriations are usually made for a two year period and the budget bill for the support of the government is usually reported out during the latter part of the session and passed toward its close. The constitution contemplates a general appropriation bill for the support of the state government and requires other appropriations to be made in separate acts. Practically all the state grants are included in this bill.

It is customary to allow quite liberal contingent sums. The university receives a tax of one-half mill for its support, although but a small sum is realized from this source. Bills for raising revenue must originate in the lower house and no bills for appropriations of money may be introduced within the last five days of the session.

The governor of this state has the power of vetoing items in appropriation bills. This right has been quite frequently exercised.

SUMMARY OF THE PRACTICES OF THE STATES RESPECTING BUDGET PROCEDURE.

Frequency of Sessions.

Most of the state legislatures meet regularly once in two years, but annual sessions are held in Georgia, Massachusetts, New Jersey, New York, Rhode Island and South Carolina. Alabama and Mississippi meet regularly once in four years, but special sessions are common.

Terms for Which Members of Legislature are Elected.

Senators are elected for terms of four years in Alabama, Arkansas, California, Colorado, Delaware, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Montana, Nevada, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming. In New Jersey they are elected for terms of three years, and in the following

states they are elected for two-year terms; Arizona, Connecticut, Georgia, Idaho, Maine, Michigan, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Ohio, South Dakota, Tennessee, Vermont and Washington. In Massachusetts and Rhode Island senators are elected every year.

Representatives are elected for four-year terms in Alabama and Louisiana, and for two-year terms in Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. In Massachusetts, New Jersey, New York and Rhode Island they are elected every year.

Submission of Estimates.

In this very important aspect of budget control scarcely two states follow the same practice, and no state is yet operating under a system which can be called satisfactory. Many of the constitutions contemplate that estimates of the needed appropriations for the several departments shall be made by the state treasurer, auditor or comptroller and shall be submitted to the governor before the regular session and to the Legislature when it convenes. Usually these estimates are but recapitulations of previous grants and express in no respect the judgments of a competent official on the actual needs of the various state services. In the following states the submission of such grants is required: Alabama, California, Connecticut, Kansas, Massachusetts, Michigan, Oklahoma, Oregon, Rhode Island, South Carolina, and Wisconsin. In some few states this officer is asked to prepare the general appropriation bill which will care for these services. This practice is followed in Michigan. In some of the states, however, the departments themselves are asked to submit estimates of their needed appropriations to serve as a basis for the comptroller's summary. This plan is followed in California, Maine, Massachusetts, New Jersey, and New York. Estimates from the departments are sent the governor in Idaho, Indiana and Utah, and to the Legislature directly or to legislative com-

mittees in Kansas and Wisconsin. In Nebraska, estimates are sent both the governor and the Legislature. There has been a pronounced movement in late years to centralize the control of the state educational institutions in the hands of a state board of education, and in states where this custom is followed, such as Iowa, Ohio, and Oklahoma, the several institutions under the control of this board submit their estimates to it. These are referred to the Legislature by this central authority. In Maine and Virginia the desirable practice is followed of submitting these estimates to the members-elect of the Legislature before the legislature itself convenes.

A plan for a central supervision of finance measures is followed in Alabama with respect to revenue bills, and has received the favorable comments of students of public finance. Under this plan the revenue bills are prepared for introduction by a central ex officio board consisting of the governor, the auditor, and the attorney-general.

A number of states follow the custom of sending junket committees to visit the state institutions and report on their needs. Committees of the Legislature are appointed for this purpose in Illinois, Michigan, Wisconsin, and a number of other states. In Indiana and Missouri this committee is selected by the governor from the members-elect of the Legislature.

In Maryland and Virginia the Senate committee on finance has sometimes held meetings prior to the convening of the Legislature to recommend appropriations and work out a state budget. This can only be done, however, in years when the senators have not stood for election, and of course this committee represents but one house. The committees in Idaho, Ohio, and Wisconsin have at times employed accountants to aid them in this preparation of the financial measures.

Committee Organization in the Legislature.

Since in most of the states finance bills may be introduced in either house, some of the states have joint committees, to which these matters are referred in order that there may be concerted action between the houses on this kind of legislation. There are joint committees to consider revenue bills in Connecticut, Idaho, and Massachusetts, and for the consideration of appropriation bills in Connecticut and New Jersey. In Maine, Wisconsin,

and Wyoming there are joint committees on finance which handle all money bills introduced in the Legislature, whether they be for raising revenue or for making expenditures. This is a most admirable arrangement because it permits a correlation between revenue and expenditure and allows a rough budget to be shaped. When the system of separate committees exists it is usual to have them sit jointly, though in many instances this is not done except after disagreement between the two houses, when they are formed as a conference committee. The usual practice in legislative bodies is to refer bills to a committee dealing with the subject matter of the measure and latterly to the finance committee.

Vote on Finance Bills in the Legislature.

In the states of Delaware, Illinois, Iowa, Kentucky, Maryland, Minnesota, Mississippi, Missouri, Nevada, New Mexico, North Dakota, Ohio, Tennessee, and Vermont money bills are in most respects treated just as other projects of legislation. In some states a heavier vote is required to pass appropriation bills than the usual requirement of a majority vote with a quorum present. In Kentucky and Mississippi there must be a majority of all members elect. In Wisconsin and Ohio three-fifths of the members of each house must be present and vote, and in South Dakota a three-fifths vote of all members of each branch is required for all appropriation bills, except the general appropriation bill. A two-thirds vote is required in Alabama, Mississippi, and Pennsylvania for all appropriations to institutions not under state control. The aggregate amount of appropriation for any service may not be increased in Illinois without a two-thirds vote of the members elect of each house, and in Mississippi revenue bills require a three-fifths vote of the members of each house.

Appropriation bills must originate in the lower house in Alabama, Nebraska, North Carolina, New Hampshire, and South Carolina. The states of Colorado, Delaware, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, New Hampshire, Oklahoma, Oregon, South Carolina, Vermont, and Wyoming require revenue bills to originate in their lower houses. Revenue laws are made but for the life of the Legislature in Alabama, Massachusetts, North Carolina, and South Carolina.

Continuing Appropriations.

With respect to the period for which appropriations are made, there is a considerable variation in the practices of the states. The constitutions of a number of states prohibit the making of appropriations for longer than a specified period, four years in Mississippi and two years, or at most thirty months, in Arkansas, Illinois, Kansas, Louisiana, Montana, Nebraska, Nevada, Ohio, Oklahoma, Texas, Virginia, and Washington. Although not required by the basic law, the practice of making appropriations for but the biennium is followed in Connecticut, Idaho, Maine, Maryland, New Hampshire, North Carolina, Pennsylvania, South Dakota, West Virginia, Vermont, and Wyoming. Appropriations are customarily made for but one year in Delaware, New Jersey, New York, and Rhode Island.

In the following states it is common to make appropriations by permanent statutes, which run until specifically repealed: Alabama, Georgia, Indiana, Kentucky, Minnesota, Oregon, and Wisconsin; there are a few such appropriations in Colorado and Florida.

In a number of states, among which are Colorado, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, North Dakota, Ohio, Wisconsin, and Wyoming, educational institutions are supported by a mill tax. Oregon has such a tax for its normal school. There are laws in Idaho and Illinois specifying that a certain appropriation, to be determined by a millage basis, shall be made the universities, but these sums must be actually appropriated by the Legislature at each session. Other forms of permanent appropriations for educational institutions obtain in some states. In South Carolina one of the institutions receives the income of a fertilizer tax; in Tennessee a certain fixed percentage of the state revenues goes to the university; in Utah there is a mill tax which produces a fund which is divided among the educational institutions of the state in a certain fixed ratio; in Washington there is a statutory provision for the institutions receiving an income from a mill tax which is divided among them in a designated way, this appropriation, however, must be made by each Legislature—the statutory provision is but advisory. Finally, there is in Cali-

fornia a statutory appropriation for the university which increases at a definite rate each biennium.

Itemizing Appropriations.

Appropriations are itemized in some detail in Kansas, Kentucky, Missouri, New Hamsphire, New York, Ohio, Oklahoma, South Carolina, Texas, and Virginia. When carrying over $10,000, the laws of Connecticut require itemizing.

General Appropriation Bills.

Many of the state constitutions require the passage of a general appropriation bill which shall care for the ordinary legislative, executive and judicial services of the government, and specify that other services shall be cared for in separate accounts, each embracing but one subject. General appropriation bills are passed in Arkansas, Alabama, California, Colorado, Louisiana, Mississippi, Missouri, Montana, New Jersey, New York, Oklahoma, Pennsylvania, South Carolina, South Dakota, Utah, Washington, and West Virginia. In Idaho, Kansas, and New Jersey an attempt is made to place the great bulk of the appropriation in a single budget bill, but in Idaho and New Jersey there is regularly a supplementary supply bill. In New York there are several such supplementary bills.

The constitutions of Colorado and Missouri prescribe certain services which must be cared for in a designated order before grants are made for other purposes.

Finance Bills not to be Considered in Closing Days of Session.

No bill making an appropriation may be introduced during the last five days of the session in Wyoming; after the first Tuesday in November in Vermont (except by unanimous consent)[99]; during the last ten days in Montana; the last twenty days in Minnesota (except upon request of the governor); during the last thirty days in Utah (except by the committee); or during the last forty days in North Dakota or Rhode Island, except by unanimous consent. The Louisiana constitution for-

[99] In this state the Legislature convenes on the first Wednesday in October.

bids the passage of appropriation laws during the last five days of a session.

Governor may Veto Items of Appropriation Bills.

In two-thirds of the states the governor may veto individual items of appropriation bills. He may do so in Alabama, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Texas, Utah, West Virginia, Virginia, and Wyoming. In Idaho and Pennsylvania he has exercised the further power to reduce the amounts of any item. In New Jersey it takes but a majority in each house to override such a veto and in Alabama and Virginia the Governor may suggest such changes as will meet his approval. In North Carolina the executive has no veto at all.

Contingent Funds.

In few states do contingent funds play any important role, but in Connecticut and California funds amounting to $150,000 per biennium and $75,000 per biennium, respectively, are placed in charge of a special administrative board. The constitutionality of this plan is open to question. With the consent of the administrative board of California, institutions may incur deficits which are made good in a deficiency act passed at the instigation of the board at the next session.

Departments are given small contingent funds in Kansas, Maryland, New York and South Carolina, and in a number of states the governor receives a small sum for unforseen expenses.

Audit.

Provisions for auditing the accounts of the various departments are found in many of the states, but it is doubtful whether any state has a system which could be called at all satisfactory. The state auditor is required to audit the state accounts in Florida, Louisiana, Montana, Oklahoma, and Virginia; a joint committee on finance in Georgia; separate committees of the two houses of the Legislature in Idaho and Min-

nesota; it is done by the insurance commissioner in Idaho; by hired public accountants, who report to the governor, in Alabama, though under direction of the General Assembly; by the General Assembly, who report to the governor, in Kentucky; by a legislative committee appointed by the governor in Missouri; and by a board of audit in Colorado, California, Minnesota, South Dakota, and Washington.

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